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COMMERCE AND
THE EMPIRE
1914 AND AFTER

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BY

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PREFACE

IT may be asked why is this book published in war-time? I reply that the question is a very natural one, and that whilst so many of the cream of our young manhood, together with the hopes and dreams and happiness of tens of millions, are being swept down the ghastly stream of a veritable Niagara of blood, and whilst civilization and freedom gasp for breath, questions affecting buying and selling might well have been put aside—as they were—and kept aside—as they have not been.

It is only with the greatest reluctance that this defence, this justification, this tribute of unfaltering faith in the living might inherent in the principle of Freedom is, at such a time, put before the public. But the blame, if any, must rest on those who have in these anxious days sought to carry with a rush their very controversial and, in my judgment, destructive proposals.

For more than thirty years I have been fighting in Australia for free trade, and for the last twenty of these years it has appeared to me, and increasingly so, that important as the policy of free trade is to Great Britain from the economic aspect, it is still more important, nay vital, from the political aspect.

As a student of world-politics, it appeared to me that the British policy of free trade was the only one that could justify the holding of world-wide Empire. I have, therefore, fought hard for free trade, and hardest of all, perhaps,

against that form of protection called preference. In the first issue of "Commerce and the Empire," in 1903, I said in the preface, "A British free-trade Empire is a noble object for which to fight." I repeat this now.

For many years I felt the danger that existed of a big war. In 1909, when the *Sydney Daily Telegraph* and the *Melbourne Age* suggested the gift of a Dreadnought by Australia to Great Britain, I wrote at once to the Minister for Defence promising my vote in the Senate if the Government adopted the suggestion. I added that "it (a battleship) could scarcely be looked on as a gift, but only as an effort to meet a great and ever-growing debt. . . . I look upon one battleship—even though involving an expenditure of more than a million and a half sterling—as the minimum of what Australia should do. Five battleships would be nearer the mark, and I expect to see public opinion mature in this direction." In 1908 I had voted for a bonus on the production of iron "because of the necessity of it for defence purposes."

At the Federal Election of 1910, in my address to the Electors of New South Wales, I said :

"The great, the vital consideration in this election, the one that transcends all others in importance, has to do with the national life and the future greatness and security of Australia. . . . Whether she will or no, Australia is being gradually drawn into the vortex of world-politics."

At the end of the 'nineties I took an active part in the fight on behalf of the federation of Australia, although the federation involved the risk of losing the free-trade policy of New South Wales, for the maintenance of which I had worked hard for many years.

In May of 1914 I arranged to establish a paper to circulate in Australia, New Zealand, and South Africa, under

the title *Southern Lands*, which was thus announced : " The object of this paper is to gradually bring tariff policy in these southern lands into line with British principles of freedom of commerce, so that the Empire may be supported and strengthened, and these lands themselves be developed on sound economic principles." These few lines express the policy which, so far as commerce is concerned, I regard as essential to the future well-being of the Empire. The war came, and I postponed publication till after the war.

I refer to these matters simply to show my grasp of big politics, and lest any one suggest that I am indifferent about Empire affairs. Whilst protectionists have been, and are, associating protection with Empire stability, I have been associating, and to my last breath shall continue to associate, Empire stability with a commercial policy of world-friendliness.

SYDNEY, *March 1917*

SIR HENRY PARKES, the "father" of Australian federation, addressing a meeting, August 19, 1887, said :

" Mr. Pulsford, since he had been known amongst them as an advocate of free trade . . . had disclosed an order of intellect singularly calculated to deal with economic problems, and so far as he had had the privilege of reading his writings they had appeared to him at all times lucid, forcible, and strictly within the limits of fair argument. If he were to point to any man who had rendered the best services to the cause of free trade during the last few years he should certainly say it was Mr. Pulsford.

The Spectator, London, May 18, 1907.

Reviewing the pamphlet published by Mr. Pulsford at the time of the Imperial Conference of 1907, the *Spectator* said :

" Senator Pulsford, of Sydney, the very able and thoughtful Australian free-trader, has issued a pamphlet which contains some very striking facts and arguments in regard to Preference. . . . The depth of thought and economic insight shown by Senator Pulsford is most remarkable."

The Tribune, London, September 24, 1907.

In a leading article the *Tribune* made the following passing reference to Mr. Pulsford :

" Senator Pulsford, perhaps the best living authority on Australian tariff questions."

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PART I

NINETEEN-FOURTEEN AND
AFTER



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NINETEEN-FOURTEEN

IN August 1914 there began a terrific testing of the commercial and financial strength of the United Kingdom. The result of the policy inaugurated some seventy years ago came under the glare of a searchlight from which no fault or weakness could escape detection. As week after week and month after month passed, the gravity of the struggle became more and more apparent, and the money cost mounted higher and higher. How to carry it all whilst maintaining a sound system of finance was indeed a task ; and to extend financial aid to allied countries in addition was to make the task still more weighty. The strain has been well borne : but strain cannot be borne without strength. From whence has this financial strength come ? The answer to this question is, that it has very largely come from Britain's world-commerce.

TEN THOUSAND MILLION POUNDS

Britain's commerce divides into : (1) goods supplied ; (2) services rendered, mainly shipping ; (3) capital invested or lent. For the balancing between Britain and the Rest of the World we must look to the import and export returns, which represent, but do not completely cover, the financing of the whole three divisions. The returns, taken only from 1855 (when they were first put on a sound statistical basis) to the end of 1913, taking into account both merchandise and the precious metals, show that Britain received 6316 million pounds' worth in excess of the value sent away. Then, turning to the financial authorities, it appears that the

world's indebtedness—all of which was incurred through the medium of goods—included in the exports, approached 4000 million pounds, together giving a total of £10,316,000,000, representing clear gain to Britain, because over and above the value of the actual exports supplied. Figures of this kind cannot be accused of being dry, and of their substantial accuracy there can be no doubt.

The world-position may be put thus * :

Dr. THE REST OF THE WORLD

To THE UNITED KINGDOM

	£
To goods supplied, 1855-1913, in exchange, and as capital . . .	19,661,000,000
To interest and profits, and freights as shown	10,316,900,000
	<hr/>
Together	29,977,900,000

Cr.

By goods received, 1855-1913	25,977,900,000
	<hr/>
Balance, invested with you . .	£4,000,000,000

The "clear gain" to Britain put at 10,316 million pounds, to the end of 1913, may be increased by 140 millions for January to July 1914, making the total 10,456 million pounds. Of this sum the 456 millions may be set aside for external debt already owing to Britain, in 1855, and other items,† leaving the gain since then at the round total of 10,000 million pounds sterling. If this sum is spread over the fifty-nine years, it averages 169 millions annually, which seems to be an entirely reasonable figure in view of the fact that for 1913 the earnings of British capital abroad, and of

* In the Appendices will be found a table giving the imports and exports, including gold and silver, and the excess of imports, year by year since 1855. The Board of Trade tables separate merchandise and the precious metals.

† Mulhall, "Dictionary of Statistics," put foreign loans at 330 millions in 1840 and 420 millions in 1860 ("Wealth," p. 590).

foreign-going shipping, together, certainly equalled about 300 millions.

Perhaps the term "clear gain" which has been used should be modified, at any rate so far as the returns from shipping are concerned. The earnings of shipping throughout the fifty-nine years cannot be separated from the interest and profits of capital, but, whatever they have been, they have been available in the United Kingdom for the payment of wages, the cost of coal, stores, insurance, etc. Of the aggregate gain of 10,000 millions, 4000 was in actual existence in 1914 in the form of invested capital outside Britain; of the remaining 6000 millions how much has been absorbed in better living, and how much has become fixed capital within Britain, no one can tell. British people are not naturally so frugal as, say, the French, who save a larger proportion of their earnings than do the British. The growth and the strength of British wealth point, therefore, all the more clearly to the existence of sound financial and sound commercial policy.

Of course, during the fifty-nine years the Rest of the World have made financial profits and commissions, and earned a certain amount of freight, in the United Kingdom. These are, in the main, accounted for in the "Clearing House" of the world's commerce, and find their way sooner or later into the statistics of imports and exports. The remainder, a fairly large sum, is invested in the United Kingdom, and may be assumed to be well covered by the 456 million pounds referred to, a sum large enough to cover this as well as other differences.*

In the chapter on "British Capital Outside Britain," evidence is brought forward of the effect of both capital and interest on British commerce, for instance, that Australia, which has borrowed some hundreds of millions, has already paid in interest more than the amount borrowed. When these facts are once understood there will be an end of any

* Attached to the table in the appendix giving the imports and exports in detail is a reference to a probability that the actual excess of imports is larger by some hundreds of millions than the returns show.

doubt as to the substantial accuracy of the calculation given, and of the figures on which they rest.

BRITISH EXPORTS

It will be understood that the 10,000 millions of earnings referred to are entirely additional to, and in no way included in, the producing and manufacturing earnings represented by the exports themselves : that they arise from operations after exportation due entirely to British capital and British shipping. The aggregate exports from 1855 reach 20,000 millions * inclusive of the re-exports and of gold and silver. The British and Irish products and manufactures may be, roughly, taken at 15,000 millions, which, though including value of imported raw material, represent big, sustained, and most profitable industry. There has been a tendency to decry the value to Britain of coal exports, but it seems to be overlooked that every penny obtained for exported coal belongs to Britain, whilst of certain exports, cotton goods, for instance, no small portion of every penny obtained goes abroad to pay for raw cotton. Coal plays a bigger part in British economy than is credited to the industry. Thus, in 1913, vessels engaged in foreign trade took 21 million tons for bunker use. At the average value of exported coal this meant 15 million pounds. It is not, of course, "exported" in the ordinary sense, and therefore is not added to the exports.

Most of this bunker coal goes in British steamers which have to earn the value, as they must also earn that of the enormous unrecorded stores which they ship. The earnings of the shipping industry have to be large to cover even outlays such as these.

BRITISH COMMERCE IN 1913

The United Kingdom's oversea commercial, financial, and shipping businesses are so interwoven that the aggregate

* 19,661 millions to end of 1913, as shown in the table ; balance 339 millions, representing January to July, inclusive, 1914.

result of the trading cannot be seen by reference to only one branch. Imports arrive mainly in return (1) for goods that have been exported; (2) for services rendered by shipping; (3) for profits and interest on capital invested abroad. A comparison of import and export statistics gives valuable information, but a fair view of Britain's overseas earnings can only be obtained by finding the results of the aggregate trading.

For 1913 the earnings come out something like this :

	Million £
Exports of the products of the United Kingdom	525
Earnings of foreign-going shipping ;	
Profits and interest on capital invested abroad, etc.	300
	<hr/>
Total	825

A large deduction has to be made from this sum, for the value of imported raw material worked up in the exports, to find the *net* earnings. But, whatever close investigation might show the deduction to be, the net balance would still exceed the overseas earnings of the United Kingdom itself, or of any other country, in any year in the history of the world. Neither Germany with a population nearly half as large again, nor the United States with a population more than twice as big, showed such results from overseas trading.

The export figures are those of the Board of Trade ; and the 300 millions figure is the estimate of the present writer. He thinks the shipping earnings *exceeded* 100 millions, and that profits and interest on capital were nearly 200 millions. There are others better fitted than he is to gauge these earnings, but what must be insisted on is the necessity of recognizing the existence of such earnings, and also that both shipping and finance compete with exports in paying for imports.*

* The estimate of 300 millions may be roughly checked. Thus, in 1913 the excess of imports were 158 millions and the new borrowings were 161 millions, making a total of 319 millions. Or, again : imports (merchan-

It is needful to remember that the external public borrowings in 1913 reached 161 millions, and tended materially to the increase of the exports and probably also to the decrease of the imports, for loans are provided for by both means.

British exports could only be raised to the total of British imports by some unprecedentedly big investments of capital abroad. If in a given year Britain so invested to the extent of 300 millions, then for that year exports might be raised to the level of the imports, but that would only mean that when little or no capital was going abroad the excess of imports would be enlarged to greater figures than before. Neither Britain nor any other country is called on to pay more than once for any of its imports. An import that is paid for by shipping services does not require to be paid for again by exports, nor does an import that is paid for by charges for the services of capital require to be paid for by exports. Excess of imports in a creditor and ship-owning country is the natural and normal condition. In Britain this excess has reached mighty dimensions—so much additional income. That it means additional income there is no disputing.

POPULATION AND OVERSEA TRADE

To trace development, and especially to find the relative point reached, it is well to note what is being done "per head" of the population. Imports and exports may be looked at on this basis * :

Imports Per Head

	United Kingdom	United States	Germany	France
	£	£	£	£
Average 1881-90	11.0	2.9	3.6	4.6
1912 . . .	13.9	4.0	7.9	8.3
Increase . . .	2.9	1.1	4.3	3.7

dise, gold, silver, and diamonds), 855 millions; exports (re-exports, gold and silver included), *less the new borrowings*, 536 millions; balance 319 millions.

* The figures for 1881-90 are taken from p. 1010 of the "Record of the Imperial Conference of 1907"; those for 1912 from the Statistical

Exports Per Head

	United Kingdom	United States	Germany	France
	£	£	£	£
Average 1881-90	6.5	2.8	3.4	3.6
1912 . . .	10.7	4.7	6.6	6.8
Increase . . .	4.2	1.9	3.2	3.2

It will be seen that the British figures "per head" in both imports and exports remain far ahead of those of every one of the other three countries, and in exports even farther ahead, than in the eighties. French trade, it will be seen, was greater "per head" than German. Strange to say, where Germany shows the greatest increase is in imports. In regard to exports Germany shows only the same "per head" growth as France, but only three-fourths of the British growth. The expansion of German shipping freights is reflected in the larger German imports.

1912	Imports and Exports.	In the Aggregate and Per Head		
	United Kingdom	United States	Germany	France
Million £ . . .	1120.1	831.0	966.1	597.7
Per head . . .	£24 10 5	£8 14 9	£14 11 0	£15 1 6

These figures give a good view of Britain's actual and relative position in 1912 in regard to imports and exports, but at the same time they scarcely do justice to Britain in one direction, whilst they probably overstate Britain's position in another direction.

The import returns are those of "Home consumption," and the export returns are those of Home production. As Britain has by far the largest re-export trade of any country in the world, the limitation tells specially against her. The re-exports are the proportion of the imports which exceed Britain's own wants, and are therefore sold to other countries. Had they been included in Britain's figures for

Abstracts (some for 1913 not available). Ten per cent. has been added to the United States' figures for the imports, as the official ones are based on foreign export values.

1912 they would have raised the total of imports and exports from 1120 to at least 1340 millions.

The overstatement arises from the fact that British exports, representing external investment of capital, are much heavier in some years than in others, and that 1912 was one of these years. The fluctuation in the flow of capital tends to a corresponding fluctuation in the flow of exports and in the demand, consequently, for manufactures.

It is needful, all the time, to remember the limitations of the usefulness of comparisons based on the statistics of external trade. Internal trade is invariably more important than external, and often when the internal is brisk the external is dull, or the reverse may be the case. Orders for extensive supplies of manufactured goods are often refused in one country and then accepted in another; trade conditions governing both the refusal and the acceptance. The refusal lessens and the acceptance enlarges the export returns of the respective countries. The condition of the external trade of a country is, of course, only one of the factors on which the well-being of the people rests.

SHIPPING

Britain's shipping position is truly remarkable. Note this comparison:

1912. Shipping	Million Tons
British, entered and cleared in British ports	88.7
American, entered and cleared in American ports	9.4
German, entered and cleared in German ports	26.0
French, entered and cleared in French ports	15.3
	—50.7
Excess British	38.0

That more shipping entered and cleared at British ports carrying the national flag than entered and cleared at all the ports of the United States, Germany, and France, carrying their respective national flags, all put together, and, more, by nearly two to one, is a fact, not for vulgar

boasting, but for humble and heartfelt gratification. The totals of shipping entering and clearing the ports of the respective countries were as follows :

1912	United Kingdom Mill. Tons	United States Mill. Tons	Germany Mill. Tons	France Mill. Tons
National	. 88.7	9.4	26.0	15.3
Foreign	. 63.8	60.0	25.1	47.4
Total	. 152.5	69.4	51.1	62.7

There are many foreign countries in whose ports the tonnage of the shipping flying the British flag exceeds not only the tonnage of the national flag, but the tonnage of the national and all other foreign flags combined. The position is unique and wonderful, and cannot be expected to continue. However much British shipping may still grow, and it is likely to grow a great deal, the proportions under other flags may confidently be expected to exceed the proportions of to-day. British goods *plus* British freight, and British freight often alone, make it imperative, or if not imperative still wise, to consider the earnings from goods exported, and from freight services, as linked together.*

NET VALUES IN BRITAIN

In no industry in the United Kingdom is the value of land, or of plant and machinery, or of products or manufactures, inflated by the action of a protective tariff. British wealth, therefore, is substantially *net*. This fact is of importance, for it tends not only to financial strength at all times, but to lessen the risk of fluctuation in ordinary times, and of heavy falls in times of national trouble.

The changes that have taken place in the value of British farming land is a good illustration of this effect of British policy. Here are the values of such lands at different dates † ; 1680 millions in 1840 ; 1748 in 1860 ; 2077 in 1877 ;

* In the Appendices a table is given of further shipping statistics.

† Taken from Mulhall's " Dictionary of Statistics."

and 1544 million pounds in 1888, since which date the reduction has increased. It is not simply that there has been a great fall in the value of past years but, in addition, there has been the absolute loss equal to the sum of the whole of the millions spent in improvements, so that the aggregate loss is distinctly great. Tens and hundreds of millions of British capital have been written off land values, so that to-day British farm lands stand practically at *net world-values*. The tariff has not been used to keep up food prices and farm rents, and there is nothing in the tariff to help a manufacturer to continue the use of old and obsolete machinery: tending again to put values on the net basis, and helping to make a solid Britain.

It can be admitted at once that the great loss on land values could have been averted and changed into substantial gains if the old protective policy had been kept in force. All that was needful to effect this was to keep out the flood of imported foodstuffs and starve the people. This could have been done by the simple expedient of keeping the tariff wall in existence. Happier, better fed, and more numerous brothers and sisters count for something, but sweeping them aside as of no consideration, and looking only at the pecuniary results of the policy *as a whole*, it is soon seen that what has been lost in the directions referred to are but as a trifle in comparison with the general gains. Look at one or two facts. In the year 1840 British wealth in Britain was reckoned at 3770 million pounds, and outside Britain at 330 millions, in all 4100 millions.* But in July, 1914, British wealth outside—*outside*—Britain had reached about 4000 million pounds sterling, or more than the estimate of the aggregate wealth *in Britain* in 1840, a fact that has to be looked at for some time before its full significance can be grasped.

Look now at the income tax returns † for the fifteen years ending April 5, 1913. The total returns of income for the

* Mulhall, "Dictionary of Statistics," "Wealth," p. 590.

† Statistical Abstract, United Kingdom, 1898-1913, pp. 34-35. The full table for the fifteen years will be found in the Appendices.

year 1898-99 were 763 million pounds, and every succeeding year showed an increase: in the fifteenth year the returns of income reached 1111 million pounds sterling, the percentage of increase being 46, against a percentage increase of 14 in the population. Doubtless part of the increase of income is a compulsory result of the greater cost of living, but a very large proportion of it clearly stands for improved conditions, and must be deemed remarkably satisfactory.

The income tax returns only cover incomes exceeding £160, so that the income of the great mass of the people is additional. The records of solid and growing prosperity cannot be gainsaid, and their justification of British trading policy is indeed great.

In 1840 of the total wealth of the United Kingdom no less than 40.97 per cent. was estimated as represented by the value of farm lands. In 1888 the percentage had dropped to 16.43, and at the time the war broke out the percentage was somewhere between 5 and 10. The change in relative position was brought about to a small extent by the fall in land values, but mainly by the great and continuous advance in all other directions, an advance which grew more and more marked as the years increased under which free trade had been the policy of the United Kingdom. That the advance in the figures was accompanied by a squeezing out of "water" in the valuations and the placing of values more and more on a net basis is surely a matter for satisfaction.

The inflation in values that protection causes is, of course, in proportion to the amount of the protection, and the effect of protection is not limited to the commodities concerned; thus, if machinery is made dearer, the commodities produced by that machinery must also be dearer, till gradually the whole range of values is affected, all in proportion to the number of articles taxed and the amount of the taxation. It has been good for Britain to be free of this inflation.

It is very easy to see that the well-being of the British

people in the past has been increased—probably very much increased—by keeping the prices of commodities down to net values, that is at world-prices unloaded with duties. Take sugar, for example. The consumption in the United Kingdom has been immense, in all its forms it has aggregated about two million tons, that is, 4,480,000,000 lb. per year. Let any one think out quietly the amount of employment resulting from the handling of such vast quantities. The work for shipping in importing; the work for wharf labourers in landing; the work for carters in taking it away to warehouses; the work for salesmen, wholesale and retail; the work for clerks in entering, invoicing, etc., the work for shop assistants in weighing and making up into parcels; the work in delivering to customers; the work on the railways and coasting steamers, with oft-repeated carting and handling. The subsidiary work alone is great—tons and tons of paper have to be made for wrapping. Then cheap sugar has meant more work in sweetmeat factories, in jam factories, in biscuit factories.

If the old high-tariff, protective system had been maintained there certainly would not to-day be one-half of the employment in connexion with sugar that there is. The more inflated values are the lower the consumption must be, that is obvious. The lower the consumption the smaller the amount of work to be done, that also is obvious. The reverse—that net values stand for more consumption and more work—is equally obvious. With this great principle observed right through the whole trading system of the United Kingdom it is easy to see how it tended to increase the well-being of the people day by day, and to enlarge the wealth of the nation.*

BRITAIN AND THE SELF-GOVERNING DOMINIONS

The effect that British free trade has had on the expansion of the self-governing Dominions is an interesting study. Has it helped or retarded expansion?

* Reference is made in the section on Duties to the effect of revenue duties.

It must be remembered (1) that when Great Britain gave up protection she was needing enlarged supplies of food, and, in fact, that it was because this need was so urgent that free trade was adopted, and (2) that the population at the time was only 27 millions.

It was not protection alone that had failed to provide adequate supplies, but protection *plus* preference.

To look back and say what would have happened if free trade had not been adopted is not easy. The leaders of protection are, strange to say, agreed that Britain did right to adopt free trade when she did, or rather that she ought to have adopted it earlier, and there is really no authority who can be quoted who favours the view that Britain would have been richer and had bigger markets in 1914 if she had retained protection. This seems to pave the way for the belief that by the taking down of the protective barriers it is reasonably certain that British trade, and British interests generally, were advantaged, and that the only question is as to the amount of the gain that is due to free trade.

The early years of free trade were years in which science went ahead by leaps and bounds, railways, steamships, telegraphs, all facilitated commerce. What advance in commerce was due to these agencies and what to free trade is much of a problem,* but it is obvious that scientific agencies themselves were only of value in proportion to the freedom with which their use was permitted.

It seems quite certain that, if with a population of only 27 millions there was a grave shortage of foodstuffs, national progress, real solid growth, would have been impossible: the conditions under which the British population gradually increased to 46 millions in 1914 could not have come into existence, and it was this ever-increasing population that enlarged the opportunities of the Self-governing Dominions for the disposal of their products. Had Britain still clung to the policy of restricting imports more or less up to pro-

* Gladstone, in the *Nineteenth Century*, February 1880, elaborately discussed this problem, and came to the conclusion that much more of the gain was due to "liberating legislation" than to scientific agencies. He put the proportions at 70 and 30 per cent. respectively.

hibition point, there was no outlook in any other country for such a change, and it would have mattered little what progress science made if the door had remained barred to commerce. British example did have a big effect, country after country lowered its barriers, though none wholly removed them; the general result being to increase the opportunities of trade. There can be absolutely no doubt that but for British free trade the great Self-governing Dominions as they exist to-day, now fast growing into Sister Nations, would have been an impossibility, an idle dream.

Significant evidence of the helping hand of Britain is seen in regard to the course of British land values already referred to. During the past thirty-five to forty years these have gone down and down, and have been allowed to go down, whilst, concurrently with this fall in Britain, values in the Dominions have risen and risen. The two movements are connected and both of them are sound. No one can fail to see that had the old policy of restriction continued in Great Britain the increase of population could not then have taken place. British land values would have been kept up and still further advanced, but the great consuming market which encouraged colonial food production would not have existed. The key that opened British ports was destined to open colonial lands.

Science had another great triumph in store in the shape of refrigeration and cold storage. The more distant the country from the consuming centre the greater the boon. New Zealand, perhaps specially, has benefited by this development, having been able to ship altogether fresh meat, butter, and cheese, to the value of one hundred million pounds. Practically the whole of this went to the United Kingdom, the only open market in the world. No one would have spent time, skill, and capital in thinking out and perfecting refrigeration and cold storage if British policy had not made a market.

The greatest gain to the Self-governing Dominions from British free trade, and one simply incalculable in its results,

has been the large supplies of capital which British capitalists have been able to lend, capital largely accumulated under conditions created by or resulting from free trade. The financial position existing to-day between the Self-governing Dominions and Great Britain is remarkable and without parallel in the history of the world. The British people in the Dominions muster some 16 millions, and they have had lent to them, or invested in their midst, capital to the extent of about £1,200,000,000. Railways, docks, harbours, gas-works, water-works, telegraphs, cables, have been mainly created by British capital. Not for many a long year could the developments, the evidences of modern civilization, now seen throughout the Dominions, have come into existence had they had to wait for local capital to be created. The investments have been splendid business for the British capitalist, but they have been like Aladdin's Lamp in the Dominions.

We think little of growth as it progresses day by day, but when we view, say, the stately oak, we may turn in our thoughts to the acorn of bygone years. In it there existed the vitality of the magnificence that to-day gladdens our hearts. The acorn with the aid of the earth and the heavens—soil, sun, rain, wind, storm—together, built up the oak. Who can say to which of these elements the oak is most indebted for its growth, but the vitality of the acorn itself has been the central force.

Similarly, as we gaze upon the splendid structure of the British Dominions, our thoughts may well turn to those bygone years when freedom in trade was won in Britain, and the question may well come to our lips as to how far this vitalizing power, which so evidently built up Britain itself, also—acting through Britain—built up the splendid structure of the Dominions.

BRITAIN AND INDIA

In no direction has British free trade been more successful or more justified by results than in India. Many

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commodities are produced in India in quantities that our Empire cannot consume, but by giving India access to all the world these commodities are wholly consumed. For the year ending March 31, 1914, India exported to foreign countries to the extent of 103.3 million pounds, but did not import from them to even one-half this amount. To the Empire India exported to the extent of 67.4 million pounds, but imported from the Empire as much as 113 million pounds, about 90 per cent. of this from the United Kingdom itself. By giving India the advantages of a world-market, Britain has herself been rewarded by enjoying in India a very large demand for her own manufactures; a demand that could not possibly have grown up if India—as in the old days of protection and preference—had been denied access to the markets of other countries.*

In the troubles due to the partial demonetization of silver India has given much relief, for she has taken very large quantities. She could not have done this, except to a very limited extent, had it not been for her enlarged world-trade. Probably, nay certainly, the silver-mining industry of Australia has been more or less upheld by the Indian demand for silver, and as this demand resulted from the enlarged commerce of India brought about by British free trade, it is logical to say that when Britain threw protection to the winds she was doing what was destined many years later to bring support to the silver-mining industry in Australia and other parts of the Empire. This is one illustration of the widespread benefits resulting from British free trade.

British capital has been largely invested in India, and material developments of a very important character have been effected, and since India was governed on free-trade lines Britain can say before God and the world that her attitude towards India has never been that of the exploiter, but always that of the trustee conscious of the moral responsibility resting upon him.

* In the Appendices will be found some interesting statistics of Indian commerce, including the details of the imports and exports referred to.

BRITISH RE-EXPORT TRADE

In the plethora of British commerce the re-export trade gets much overlooked; though it is very important and valuable. It is built into the commercial system of Great Britain. Inwards and outwards it means a value of £200,000,000 pounds and more. In the fifties the highest value reached in one year was 25 millions, in the sixties it averaged 45 millions, or, say, 50 and 90 millions respectively, in and out.

The re-exports indicate the fact that Great Britain is the world's emporium and financial centre. Commodities are drawn from all the ends of the earth to be sold, and they are redistributed as buyers are found: a commerce in which bankers, merchants, brokers, warehousemen, and others gain much profit. The employment to shipping here disclosed is great, and the bulk of such employment goes to British shipping. The employment, too, in handling—in landing, carting, warehousing, delivering, reshipping, etc.—represents an aggregate sum which brings a living into multitudes of British homes.

During the last thirty or forty years this class of business has been greatly affected by shipping development, and by the fact that it is natural for all countries to wish to secure direct supplies as soon as possible. Years ago the European woollen trade bought most of its wool in London; now buyers come to Australia and purchase wool on the spot, and it is shipped direct to European ports, which new lines of steamers facilitate. Considering the great changes that have come about, of which wool is only one illustration, in the extent to which direct has replaced indirect trade, it is simply remarkable that the volume of re-export business in Great Britain has not only been sustained but increased. This trade largely depends on the financial facilities Britain is able to offer, but no one can fail to see that Britain's open ports and free-trade system have greatly helped.

Proportionately India and the Self-governing Dominions send, and foreign countries take, the largest amount of the

re-export goods, and it is singular that those foreign countries which take the largest quantities are those whose tariffs are the most unfriendly—another illustration of the strange ways in which the threads of the world's commercial relations are interwoven, and of how policy is overruled by economic law. Well is it when policy follows the lines of economic law, and works with instead of against it.

BRITAIN : AS REGARDED WITHIN THE EMPIRE

If in August 1914 a terrific testing of the commercial and financial strength of the United Kingdom began, it was a testing no less severe and searching of the position the United Kingdom held in the esteem and in the trust of the world. The British people held an unequalled range of territory, and in that, as well as in wealth, commerce, and shipping, could only be envied. But had the world-policy been such as to cause dread, hatred, and a desire to destroy if opportunity for destruction arose?

India quickly sent its answer to this question. No more wonderful page is to be found in history than that of the way in which the people of India threw themselves heart and soul into the great contest in which they who had conquered them, and who ruled them, were involved. Their action proved that British rule was not regarded by them as a yoke to be escaped from, but as a protection to be supported. Men do not rush with eagerness to fight for a tyranny that grinds them down, but they do rush with eagerness to support a power under whose rule they find justice, safety, and liberty. Probably no people in the world have a keener sense of what constitutes injustice or oppression than have the people of India.

An answer equally quick, and, in some respects, more gratifying even than that from India, speedily came from South Africa—the Boers would help the British. Few were the years since the Boers had suffered defeat at the hands of British soldiers, and the defeat still rankled. But, in the interval, the British had been generous and had given powers

of self-government to South Africa, even though the greater number of the Boers practically gave the control into their hands. The generosity, so in keeping with British rule, won the hearts of the Boers, who have most bravely responded and have paid to the full for the consideration with which they had been treated. Time has shown how it pays in this world to be generous, and how unwise it would have been to refuse or delay powers of self-government.

There is liberty and liberty. Thus, liberty of religion, of justice, of speech, of trade. No man can be said to enjoy liberty in its fullest sense if he is denied it in any direction. The relative importance of the different elements of liberty cannot be easily estimated. One man may be indifferent about liberty of religion, but keen for liberty of politics; with another man the position may be reversed, and he may care but little for liberty of politics so long as he has liberty of religion. But most certainly as long as liberty is denied in any important matter a sense of being oppressed must permeate the people.

It may be accepted as certain that in no direction is liberty more vital than in that of trade. Writers seem to be agreed that the colonists in America who revolted from British rule really enjoyed the same liberties as residents in Britain except with regard to trade, and it was because of this one special difference that the separation came about.

If India had been governed as she has been, except in respect of trade, and had in trade been left to the exploiter, to the tender mercies of old-time protection, and had been refused access to the world-market which she uses so much, the sense of injustice that would have arisen in this connexion would have obliterated much of the gratitude otherwise aroused. Commercial and trading freedom certainly helped materially to create in India the feeling out of which sprung the mighty response to the Empire need. True, India has very little trade, that is, per head, and the people are very poor, but probably it is the people who have little, who are distinctly poor, who feel the most keenly anything that

adversely affects that out of which their subsistence has to come.*

BRITAIN : AS REGARDED BY THE WORLD

But outside the Empire itself how was Britain regarded? Well, how did she herself seek to be regarded? Let us turn back to 1896, a time when what was known as the "scramble" for territory in Africa occupied much public attention, and we can accept what the late Mr. Chamberlain said as defining the position of Britain. Speaking at Birmingham, November 13, 1896, Mr. Chamberlain, after referring to recent extensions of British territory in Africa, said :

"If we had remained passive what would have happened? Is it not as certain as that we are sitting here that the greater part of the continent of Africa would have been occupied by our commercial rivals, who would have proceeded as the first act of their policy to close this great potential market to British trade? Let me make one remark here, the proper consideration of which would, I think, do very much to modify that jealousy with which foreign nations regard our extension. My remark is this, *we in our colonial policy, as fast as we acquire new territory and develop it, develop it as trustees of civilization for the commerce of the world. We offer in all these markets over which our flag floats the same opportunities, the same open field to foreigners that we offer to our own subjects, and upon the same terms. In that policy we stand alone, because every other nation, as fast as it acquires new territory—acting as I believe most mistakenly in their own interests, and above all in the interests of the countries that they administer—every other nation seeks at once to secure the monopoly for its own products by preferential and artificial methods.*"†

* Vambéry, the Orientalist, in his "Western Culture in Eastern Lands," p. 160, speaks of protectionism having been put a stop to in India, and that this was one of the reforms brought about by British rule.

† *Times* report. At an earlier date—January 21, 1896—Mr. Chamberlain said: "We alone held our possessions throughout the world in trust for all."

These words of Mr. Chamberlain may be accepted as defining the British policy, and as explaining in what it differed from the policy of other countries. So long as the British policy remained as thus defined would the jealousy of other powers be abated. Lord Cromer has repeatedly stated that it was largely due to the British tariff policy that Britain was allowed by the other Powers to control Egypt. It will be remembered that Cecil Rhodes, declaring himself to be a free-trader, wanted new countries to be taken with a view to secure them against protection at the hands of other countries. Towards the end of his life (he died in 1902) he favoured preference, and there is reason to believe that he influenced Chamberlain, who, sad to say, became ready to support the policy which he had previously condemned in connexion with other countries. Happily, most happily, Britain remained staunch, and it did not become possible for any country to say that under the plea of acting as a trustee Britain had taken territory, and then, being in possession, had refused to be bound by the conditions of trusteeship.

The responsibilities that attach to great possessions, and more still those that attach to the power to control the destinies of human beings, are very great, and any country which amasses the former and obtains the latter carries corresponding responsibilities, which cannot be ignored or even forgotten without suffering of some kind resulting. For Britain to have said to the world outside the Empire: "You shall not buy from, or sell to, the hundreds of millions of coloured people under my flag," and to have told those hundreds of millions of people, "you shall not buy from, or sell to, any but British people," would have been an outrage against both God and man.

Britain's economic gain from freedom of trade has been vast, but Britain's political gain has also been vast and infinitely more important. Though adopted originally merely for, and only for, the economic benefit of the British people themselves, it is surely clear enough to-day that the policy is the only one under which this world-wide Empire—

with a fourth of the population of the globe and every variety of climate and production and with infinite ability to supply world-needs—can be justified. The tariff policy of Britain has been, and is, a world-policy that thoroughly recognizes the rights of other nations, and, speaking broadly, it is not straining the truth to say that the world generally believes in and trusts British justice and fair play.

Long before the free-trade era Britain carried great moral weight in the counsels of the nations. The qualities that earned this trust were those that later courageously adopted freedom of trade. And now, whilst Europe rocks in the convulsions of the most awful of all the awful struggles ever known, Britain has no world-enmity resulting from trade discriminations to weaken her.

The weight that lies at the back of moral influence is incalculable. Merivale says * :

“ I confess that my own imagination is most powerfully excited by the visible connexion between moral influence and material authority which is presented . . . by the phenomenon of the Roman Empire.”

Lecky says † :

“ Of all forms of prestige, moral prestige is the most valuable, and no statesman should forget that one of the chief elements of British power is the moral weight that is behind it.”

Britain's friendly commercial policy has given her much of this moral prestige, *how much* will, perhaps, be better recognized after a time, to-day it is only dimly seen. The fighting value of it at this epoch must be very great. Britain, surely, has reaped from her free-trade policy not only much material wealth but much moral prestige.

* Lyall's " British Dominion in India," p. 281, quoting from the Preface of vol. vii of Merivale's " History of the Romans under the Empire.”

† J. A. Hobson, " Imperialism—a Study," p. 183, quoting from Lecky's " The Map of Life.”

INVISIBLE WEALTH IN BRITAIN

"Too much we make our ledgers gods," wrote Tennyson in 1852, and it may be frankly admitted that the words conveyed, and still convey, a truth about the British people, who are apt to undervalue, as compared with material wealth, those attributes of character on which true national greatness depend. It is remarkable how little the statisticians tell, or can tell, of a nation's invisible wealth. The moral and spiritual wealth of the father does not count as the son's. Material possessions may descend, but the higher possessions do not; each son must make his own. Sound bodies, sound minds, and heroic hearts are the great national assets. Happily free-traders can claim that their policy tends to the increase of the invisible wealth of a country, for when a nation has cast out the coward fear of commercial competition, and insists on equal liberty of trade for all its people and favouritism for none, its moral fibre is thereby strengthened.

Professor Nicholson, it will be seen, as quoted elsewhere, speaking of Christianity and Exchange, says :

"The analysis of exchange reveals a Christian character. . . . It is no paradox to say that exchange is reciprocal charity; it blesteth him that gives and him that takes. . . . The opening of markets is the beginning of charity."

Britons may rest assured that freedom of trade rests on the principles of the religion they profess, and tends, therefore, to the elevation and strengthening of national character; and that it had helped to build up the invisible wealth with which Britain met the storm when it broke in August, 1914.

AFTER

THE question of what should be Britain's economic policy after the war is not difficult to answer, for the pre-war success of Britain's existing policy was too great and too unmistakable for real doubt to arise as to its wisdom. The question having been raised, there need, however, be no hesitation in dealing with it.

But, first of all, what is to be the after-the-war attitude of the British race to the German race? The attitude of the British to-day is what the Germans themselves have created: the natural result of horrors so awful that language must ever fail to adequately describe them, or the mind to grasp them without losing its balance. The British attitude in the years after the war will also be that which the Germans themselves create. If the Germans escape from the thralldom of militarism and become free men and true neighbours, British feeling, in spite of everything, will not be slow to respond; but if Germany's aims and ambitions remain the same as those disclosed by the war Britain will develop no friendship, and will remain on guard.

Happily Britain cannot be reproached for hurtful, unfair, or unneighbourly conduct towards the German Empire at any time since its formation. History will show the very reverse to be the case. It will tell (1) of Germany having more than a million square miles of colonies in 1914, all acquired since 1880,* obtained without British opposition,

* Sir Charles Lucas, "The British Empire" (1915), p. 191, says: "Towards the end of the seventeenth century the Brandenburgers went to the Gold Coast, built a fort, etc., but sold out to the Dutch forty years later, and the Germans had no possessions beyond the seas until after 1880." (At the outbreak of the war Germany ranked third in the list of countries with colonial possessions, the total aggregating 1,122,448 square miles.)

and at times with British help; (2) of German New Guinea and many Pacific Islands having been given to Germany in opposition to the wishes of Australia; (3) of the island of Heligoland, occupying a commanding position on the German coast, being ceded to Germany; (4) of German trade having equal opportunities with British, in the United Kingdom, India, Egypt, and all the Crown Colonies and protectorates, though British trade was penalized throughout the German Empire; (5) of the ever-friendly welcome extended by the British people to the German sovereign; (6) of Britain's repeated offers to reduce naval preparations if Germany responded; (7) of the efforts of private citizens to honour Germany, like Cecil Rhodes, who included Germans in his Oxford scholarship scheme. When the war fever is over Germany may—let it be hoped she will—begin to recognize that in Britain she ever had a friend. Probably no step would do more to secure in the future both the peace of Europe and the well-being of Germany herself than the establishment of manhood suffrage in Germany, nor could the Allies do a wiser thing than to insist on this as one of the conditions of peace, if, as we hope and believe would be well for the world, they have the power to dictate terms. Surely, surely, never again will it be in the power of one single man to plunge a world into woe. Every step taken should be taken with a view to prevent the possibility of a recurrence of the present hell-upon-earth.

The hush that fell over British party politics on the outbreak of war was something to bring pride to the heart of a Briton, and something that augured well for the whole-souled effort that the Empire was called on to make. That it did ease the gigantic task of organization there can be no doubt. That it was not continued right through to the end of the war must ever be a matter for regret. The change, so far as it distracted public thought and attention, lessened the thought and attention that could be given to the one great and absorbing subject which still called for not a part but the whole of the mental and physical powers of Britain.

The form in which the tariff controversy was reintroduced and forced on public notice made it difficult to ignore it, and was apt to subject an objector to the charge of being "pro-German." All trade with enemy countries had been, from the first day of the war, absolutely prohibited. Imports from, and exports to, those countries had ceased. But it was proposed that *as a war measure* Britain should decide that she would continue to prohibit, more or less, such trade after the war had come to an end. It was said that if this course were adopted it would shake Germany's financial position to bits, that it would give her such a shock that the war would be shortened, and many lives would be saved.

As an argument it was utterly unsound, for Germany could not be beaten, or even weakened, by mere threats, and it was obvious that to forbid Germany to export was to forbid her to pay indemnities, or at any rate to prevent her paying them. But there was something worse, which was that *as a war measure* the mere suggestion and discussion of the proposal tended to strengthen Germany, and so, relatively, weaken Britain. Every one must have noticed, as British babies and British women were butchered by Zeppelins and submarines, that men who before had hesitated now rushed with flashing eyes to the colours; that the numbers and temper of the new British armies rose and rose till they were equal to any task. The thought of the *Lusitania* sent a thrill through men in the trenches, till many a quiet man wondered at the heroic deeds he himself had performed. These developments were but the natural psychological results of what the Germans were guilty of.

Evidently, even if the Germans cared naught for the indignation of a shuddering world, viewed simply as a *war measure* the butchering of British babies and British women was a failure, since the end of it was to strengthen, not to weaken, British military power. Clearly tact and common sense are needed in judging of the wisdom of new war measures.

The suggestion, and the wide discussion of the suggestion,

to defeat Germany in the field by undertaking to destroy her commerce after the war, whilst on a very different moral plane to the Zeppelin and submarine horrors, yet played right into the hands of Germany. The Germans were not slow to make the new proposals well known throughout Germany in not only their worst but in very exaggerated forms, and as having been adopted instead of being merely talked about. Millions of Germans could not be impressed with the belief that not only the defeat but the destruction of the Fatherland was being sought without an increase in their resolution to fight it out, the natural psychological result. As for the proposal shortening the war and saving British lives, the very reverse is the effect—as ought indeed to have been foreseen. Any course that can do nothing but rouse and strengthen an enemy stands condemned. The proposals stand further condemned by the effect they have had on neutrals, for linked with the proposals to destroy the after-the-war trade of enemy countries are further proposals to lessen the freedom of trade now enjoyed by neutral countries. The suspicion and uncertainty which are being aroused are to be deeply regretted, for they detract from the strength of the British position.

When Britain finds that the agitation for the after-war destruction of the trade of now enemy countries is only part of a scheme antagonistic to all foreign trade, she will recognize that advantage is being taken of her righteous anger against the authors of the war to destroy the system—the very basis—on which she had so greatly prospered.

Much, nay everything, is in jeopardy. There are diseases, grave enough in themselves, whose after-effects are liable to be still more grave, and it must be recognized that this war which is now ravaging the world contains within itself the germs—the possibilities—of future calamities which before they reached their climax might have destroyed modern civilization. It is needful, therefore, to be more alert than usual in judging the probable consequences of interfering with the trade of other countries.

FREE-TRADE POLICY AND THE UNITED KINGDOM

As to the position in the United Kingdom after a period of war-waste, which will have reduced British wealth, lessened the power of British capital, and permanently increased public burdens, any policy that lessened the aggregate earnings of the community—however it might increase those of a few—would be foolish in the extreme. Waste must be avoided, and there is no national waste so great—except perhaps that of war—as that which results from the prosecution of less profitable industries at the expense of more profitable.

For years before the war efforts were made in the United Kingdom to alter the incidence of taxation: to collect less from the direct, and more from the indirect taxpayer. It is, therefore, not surprising that, recognizing that permanent additions to taxation will have to be made, these efforts should be renewed. "The new revenue must be obtained by enlarging the productive power of the community," says the Tariff Commission.* Let it be noted that "the new revenue," that is, *the whole of it*, not merely part of it, is to be obtained by what is described as "enlarging the productive power of the community," which, of course, only means the old system of "enlarging" some favoured industries at the cost of all the others. The enlargement, be it big or small, is dear if it does not reach the cost. Experience shows that it never does reach the cost, much less yield anything over; this means that the actual total production of the community instead of being increased is really lessened. At the same time it may be doubted whether the direct taxpayer would be finally relieved, because the protective system is a bad revenue producer, and, as a rule, wherever it is in force, heavy direct taxes have to be imposed to secure the needful revenue, so that burdens in every direction have to be borne. The capitalist is greatly interested in the well-being of the mass of the people, but the idea that it "pays" a country to relieve the capitalist of his burdens

* Memorandum 56, March 15, 1915, p. 3.

at the expense of the non-capitalist is one that never dies in some minds.

When the country is being taxed right up to the hilt, and the public taxgatherer seems to be never off the doorstep, the establishment of a small army of *private* taxgatherers, authorized by Act of Parliament to plunder on their own account, so as to carry out the system, would be something the Briton would not take kindly to.

However business may develop after the war, economy will be a necessity, both public and private. Parliament, it may be hoped, will be very jealous about imposing duties on commodities even for the sole benefit of the Treasury, and will turn a face like flint to proposals to tax goods for the benefit of private individuals; without this safeguard the call for economy would be but hypocrisy.

New importance will attach to the matter of population. Indirect taxation tends distinctly to increase the cost of living, and in proportion as this is enlarged so is the cost of rearing children increased.

To destroy is ever easier than to create: the work of many long years can be speedily undone. Britain's free-trade system has built up a world-wide trading and shipping position, in addition to the usual import and export business. To load this trading system with burdensome taxation is to lessen the ability to carry it on. It would be worth some sacrifice to maintain Britain as the centre of the world's finance and commerce, but to throw away, or to risk throwing away, the position would be like suicide.

The most distinctly British industry is surely the shipping. It could be made to suffer by stopping imports, which would reduce its earnings, and by imposing taxation which would increase its burdens. Aerial navigation has become an accomplished fact. Its effect on, and relation to, British shipping are yet to develop. But from any point of view the more successful it may become the more foolish the curtailment of imports might be made to look.

The building up anew of Britain's industrial life will call for a continuation of the loyal and unselfish efforts of all her

sons and daughters. *Unselfish.* If Britain wants to give a lead to the world, she will not permit the introduction of the special policy which calls into active operation the selfish instincts of classes and industries and nations. Britain will need all the service that individualists and collectivists, capitalists and labourites, can render, Let none have the example of a selfish trade policy to lead them to put self first and country second.

Happily there is no occasion for Britain to feel called upon to give up her free-trade policy in order to establish a preferential system, for the long list of articles to which no "live" preference can be given is now increased by that most important article—wheat, the production of which in the Empire itself now exceeds the consumptive demands of Britain. Preferentialists will not readily admit that preference is a failure, none the less is it certain that this is the case.

FREE-TRADE POLICY AND THE EMPIRE

It would be well if Great Britain gave more attention to the relation of free-trade policy to the future of the Empire. The present writer has long held that the maintenance of British freedom of trade was essential to the maintenance of the Empire. It is a quite remarkable and noteworthy fact that Mr. Dalley *—the first statesman in a British self-governing colony to dispatch an expedition for Imperial service—should have linked together "the preservation of the freedom of our commerce and the perpetuation of our Empire." Equally notable was his statement that "a fettered trade is a defective loyalty to the Empire which has based its policy upon absolute freedom, and which is rebuked and, to some extent, enfeebled before the world when that policy is practically protested against by any portion of the Empire." Mr. Dalley was, of course, referring to the fettering of trade by British colonies. Fettering of trade, however, by Britain herself would be a new and most grave departure. The *political* aspect of free trade in its bearing

* In a letter printed in full in the Appendices.

"on the perpetuation of our Empire" needs to be studied. Here is something like a bird's-eye view of the British Empire. Look at these outstanding features * :

(1)	Square miles
Area of the United Kingdom . . .	121,432
Area of the British Empire . . .	11,419,000

The Empire area is thus ninety-four times that of the United Kingdom, and if Egypt and the Sudan † be included the area becomes 12,755,000 square miles, or one hundred and five times that of the United Kingdom.

(2)	Millions
Population of United Kingdom . . .	46
Population of British Empire . . .	430

The Empire population is thus more than nine times that of the United Kingdom alone, without including the Egyptians and Sudanese; if these be included the Empire population is brought up to 440 millions, more than nine and a half times that of the United Kingdom.

Density of population, per square mile :

In the United Kingdom	380
In British India	170
In the Dominions	3

(3) The white people of the Empire number about 62 millions, divided as follows :

	Millions
United Kingdom	46
Self-governing Dominions	16

This comparative handful—16 millions—occupy and govern two-thirds of the gigantic area of the Empire: territories *equal, in the aggregate, to two Europes.*

* "Statistical Abstract of the British Empire, 1899-1913," pp. 2 and 298. The census population of 1911 was given as 420,345,000. By 1914 this would have increased a further ten millions at the rate of increase between 1901 and 1911.

† "Statesman's Year-Book," 1914-15.

(4) The Empire has incomparably the greatest strength at sea, both naval and commercial.

(5) The Empire's sea power is supported by the possession of fortified harbours and coaling-stations, such as Gibraltar and Malta, on the main tracks of commerce.

(6) The Empire controls that important world-waterway, the Suez Canal.

(7) Of the world's annual yield of gold more than one-half is found within the Empire.

(8) Britain has (or *had* when the war began) monetary interests amounting to about four thousand million pounds sterling outside Britain, about half in foreign countries, and half in the rest of the Empire, which bring her an annual return of about two hundred millions.

(9) The combined producing and manufacturing power in actual existence in the Empire is very great, whilst the potential power is incalculable.

(10) There is no other country in the world whose interests in one form or another, often in more than one, touch the interests of so many other countries as do those of Great Britain.

In addition to all these considerations is the fact of the existence within the Empire of separate governments having control over almost illimitable territory.

To-day these varying factors, area, population, wealth, commerce, shipping, world-politics, are all of them mighty influences in the British Empire: each requires to be considered in relation to the others; and each separately, and the whole unitedly, in relation to every other country and in relation to the world as a whole.

Anything more complex cannot be imagined than the British Empire: the problems it holds are innumerable; they have been and are growing; they cannot be brushed aside; every year brings new developments, more population, mostly where least room, more trade; progress in education and science. The progress of sanitary science in Asiatic countries—already crowded—is alone a factor of far-reaching consequence. Superimpose on all this tangled

web of human affairs a Procrustean-like system in regard to the food and clothing and other necessities of the people of all the differing races, religions, and climates which together make up the British Empire, and the disintegration of the Empire will begin in real earnest.

Just to take things for granted without examining and facing their certain—or even probable—consequences, is very unwise. The British Empire is a stupendous fact, but how few are the people who recognize the fact and all—or, indeed, anything—that follows therefrom. This is partly the natural result of human limitations, for the pressure of life is heavy, and multitudes of people have all they can do to fight their own life's battle, so that their thoughts and anxieties seldom travel beyond their own part of the Empire. The "self-contained" cry appeals—"a self-contained Canada" or "a self-contained Australia" sounded big. However, when the war broke out *the Empire* was less self-contained than it would have been had the self-governing Dominions followed natural industries. They set out to produce for themselves the goods which the homeland wanted to sell, to the neglect of the goods the homeland wanted to buy. If Canada, Australia, New Zealand, South Africa had always followed the lines of natural development there would have been a larger commerce between them and the United Kingdom: a greater demand for British shipping, a greater supply of food for the United Kingdom, and more sale for British manufactures.

The natural resources of the Empire are vast—as yet they have scarcely been tapped. In 1898 an Imperial Department of Agriculture was established in the West Indies, the results were very good, and were all the more noteworthy from the fact that in the same year Canada tried to help the West Indies by giving a preference on sugar. The preference on sugar wholly failed—in fact the exports lessened, but in other and new agricultural lines there was a marked expansion. The Canada-West Indies Royal Commission of 1910 in their Report * said the Department had

* P. 38.

been "an important factor in the development of the resources of the West Indies." There is no doubt that there is splendid scope for similar work throughout the Empire.* India should have special attention in this direction. Probably a great Empire Exhibition in India would awaken much dormant energy in that Empire.

Great efforts are made by British protectionists to create the impression that the policy of protection and preference has brought prosperity to Canada. Take this statement for instance † :

"Canada . . . has pursued for thirty years . . . a national and Imperial policy . . . which has brought her unexampled prosperity."

Thirty years cover the period from 1881 to 1911, both census years, and it is well to note the growth of population between these two dates, taking New Zealand and Australia as well as Canada :

Population Increase, 1881-1911

	Number	Per cent.
New Zealand . . .	518,535	106
Australia . . .	2,194,811	98
Canada . . .	2,879,741	67

The population increase shown in New Zealand is relatively more than half as much again, and in Australia very nearly half as much again, than in Canada. This is all the more notable because the latter country is so very much nearer the sources of immigration. In view of the quotation these census returns become more remarkable when it is remembered that Canada has had infinitely more of what is called "national and Imperial policy" than either Australia or

* The present writer drew the attention of the Dominions Royal Commission to this subject in Sydney, April 18, 1913, and reprints in the Appendices of this volume the Memorandum he submitted. The concluding paragraph is as follows :

"I venture to say that the Empire owes it to the world to make good use—in fact the best possible use—of the territories under its flag, several of which are notable for two great and conflicting facts: first, their enormous size, and second, their scanty population. This subject of development lies at the very basis of the stability of the Empire."

† Tariff Commission Memorandum No. 46, 18/5/11, p. 4.

New Zealand. If the figures say anything it is "the less of the policy the better." Ruskin said that there is "no wealth but life"; anyway, as "prosperity" attracts population, the relative growth of population in new countries is a fair test of the relative prosperity. Canada adopted her "national policy"—protection—in 1879, and the percentage increase in her population was less for the following twenty years than it had been for the preceding twenty, so that the statement quoted has no shadow of foundation on which to rest, in whatever way it is tested. Canadians, more than any others, have good ground for annoyance at the way their affairs are misrepresented, for they are not the people to want to hug a mistaken and anti-Empire policy. Now that the Empire production of wheat has, at last, reached and passed the total of the consumption of the Empire, preference thereon has ceased to be possible. When this fact is thoroughly grasped in Canada, preference must die down, and probably the feeling against protection, which has been strong for years, will grow still stronger. A movement towards a free-trade Empire may not be long delayed.

That the "big Englander" is essentially a small-Empire man will be grasped in time. Mr. Chamberlain—as quoted elsewhere—proposed to give "*substantial*" support to the *British* flour-miller whilst giving a *small* preference to the colonial wheat-grower, which meant "Send wheat, but not flour," and evidence is accumulating of the way in which British protectionists resent the producers of the Dominions and India taking advantage of their freedom to sell in the best market, whether in or out of the United Kingdom.

It may be hoped and expected that the time will come when the people of the United Kingdom and of the Dominions will all see that the future greatness and grandeur of the British Empire require a policy of world-friendliness and not of world-defiance. That, indeed, the Empire is too vast for the self-contained theory, every part of it needs the whole world for its market and its source of supply.

The strength that lies at the back of British free trade is

not sufficiently recognized, nor yet the success which follows the policy. To read certain publications one would think that Germany had been selling to the British Empire much more goods than the British Empire had been selling to her, whilst all the time the very reverse has been the case. The German imports and exports, during 1912, according to the German official returns, give the following results :

	Million marks
Imports from the British Empire .	2109.6
Exports to the British Empire .	1541.4
	<hr/>
Excess of imports . . .	568.2

Germany, therefore, only succeeded in selling to the British Empire about 74 per cent. as much goods as the Empire succeeded in selling to Germany.

The British protectionist, or preferentialist, however, who *talks Empire*, even while he ignores it, merely gives the figures for the trade with the United Kingdom *alone*; these show that Germany sold to the United Kingdom 318.5 million marks more merchandise than she bought. The aggregate—or Empire—result given, of course, is due to the very big sales made to Germany by the rest of the Empire.*

The Statistical Abstract for British Possessions shows that in every one of the fifteen years, 1900 to 1914 (all ending March 31), British India sold to Germany more goods than to any other country in the world except the United Kingdom, and when the subject is pursued it is found that India took payment for her sales to Germany, in the main, not in German, but in British manufactures. Surely that was good business ! Britain herself was, of course, paid out of the excess of imports that came from Germany. Most helpful to the Empire all round has this commerce been.

The Tariff Commission say,† “ There is no reason why the wool formerly sent to Germany should not be used in British factories for supplying the markets which Germany

* A table giving all the figures in detail will be found in the Appendices.

† Memorandum No. 55, 21/8/14, p. 5.

has lost overseas." A statement like this is really past forgiveness, since about three-fourths of the wool imported by Germany is manufactured and *consumed in Germany itself*, and it would be a fairly staggering blow to the wool trade of the British Empire if it lost the German consumption. Germany's markets for woollens "overseas" exist mainly in the imagination of the Tariff Commission. It is on the basis of statements such as these that the Tariff Commission builds up a picture of German trade being "a menace against the whole British Empire."

It will be as well to show the exact position in this matter of wool. The (British) Statistical Abstract for Foreign Countries, pp. 131 and 135, gives the imports and exports of wool into and out of Germany in 1912 as follows, and the net imports and exports are added :

	Wool, Raw Mill. marks	Woollen Yarn Mill. marks	Woollen Manufactures Mill. marks
Imported . .	405.9	107.6	46.3
Exported . .	48.0	84.2	253.4
Net import . .	357.9	23.4	—
Net export . .	—	—	207.1

If it be assumed * that the value of imported wool in the exported woollens be one-half, then out of 381.3 million marks imported wool and yarn, 277.7 million marks, or about three-fourths, were consumed in Germany.

If after the war it were thought to be wise for political reasons for the British Empire to deny itself the use of a market that took a hundred million sterling of its products—well and good ; but that such self-denial would have good economic results is not an idea by which the Empire is likely to be deluded. Perhaps it should be pointed out that this self-denial would make the rest of the Empire

* This assumption is purely arbitrary—it may be more or less than one-half. Germany's home-grown wool (from 6,000,000 sheep) would, to the extent it was used for export, enlarge the figures of the internal consumption of the imported wool.

suffer more than the United Kingdom. India especially would be made to suffer.

After the Germans have done their best to merit the transfer to themselves of the title of "the Unspeakable," it is not to be expected that any member of the British Empire should be keen for either their trade or their society, but the British people have to take care lest in their righteous anger they take steps in regard to German commerce that would in future years inflict grave loss on themselves, and tend to the lessening of the commercial and financial world-position of Great Britain itself.

Low wages and poverty in Germany would be bad, not good, for Britain. The low wages would mean cheap production, and the poverty would mean small home consumption, so that Germany could offer neutral countries large supplies at low prices, and take business that ordinarily might be expected to go to the United Kingdom.

To refuse the German outlet for goods that Britain wanted to sell, and to refuse German goods that it would be profitable to buy, would be detrimental to British prosperity. Thus, shipowning and shipbuilding are great and distinctive British interests, which would be prejudiced if cheap German iron for shipbuilding had to be refused and allowed to go to other and competing countries.

It is quite true that the open markets of the United Kingdom, India, and the Colonies have been valuable helps to Germany; it is equally true that the restriction of commerce in Germany has been hurtful to the United Kingdom. But this is not the whole truth, which is that where Germany was helped the United Kingdom was also helped, and where the United Kingdom was hurt Germany was also hurt. British policy tended to increase, the German to decrease, the volume of trade between the respective countries.

Further, the position between Germany and the British self-governing Dominions is very nearly the reverse of that between Germany and the United Kingdom, Germany admitting most of their products free of duty, whilst practi-

cally all German goods are subject to heavy duties in the Dominions. In fact for years the German and French consular agents have repeatedly complained to the Australian Governments of the heavy duties on their products, whilst in both countries large imports from the Dominions were being admitted free.

It is probably quite correct to say that, since the German Empire was founded, in view of the respective commercial positions of Germany and the United Kingdom, the commerce between the two countries has been *relatively* much more important and valuable to Germany than to the United Kingdom. Thus, if a rich man and a poor man trade together and each makes a thousand pounds out of the trading, the gain to the rich man may mean little, whilst to the poor man it may mean much. Japan, since 1880, has joined the list of the world's trading and shipping nations, and undoubtedly the gain to her has been of greater importance than has been the gain to the nations with which she has traded.

Germany's growth is to be traced largely to free trade—that is, her own internal free trade. “The German Empire of to-day is the aggregation of more than thirty separate governments which existed at the beginning of the nineteenth century. Each with its own tariff and its own set of customs officers, each living a segregated existence, and fearing above all things that aggregation which alone could lift its people to a higher plane of national life. The poverty of the Germans in those days was something deplorable, but the poorer they were the more deadly seemed their hatred of trade with one another. State after State prohibited the admission into their midst of goods from sister States, and indeed the internal trade of Germany was only carried on subject to such restrictions as to-day are only known of between countries independent one of another.” *

The Hanseatic League in the fourteenth century exercised great power throughout Europe. Had the union of Germany taken place in that century, and the cities of the League

* From the first issue of “Commerce and the Empire” (1903), p. 8.

joined it, the German Empire would probably at once have dominated Europe and grown rapidly in population and wealth. But five centuries passed before a few small States united, later others joined, then the German Customs Union, or Zollverein, was formed, and after the Franco-German war of 1870 all the German States finally came together as the German Empire. Germany developed apparently just in proportion to the development of her internal freedom of trade.

Britain has a big external trade, but her internal trade is very much bigger still. There are some people who apparently think only of Germany in connexion with her external trade, and credit—or blame—Britain for permitting her to acquire that, little knowing that German internal trade is of infinitely greater value and importance to Germany, and that the external trade is really only an outgrowth of the internal. It is necessary for this truth to be grasped to understand the folly at the back of a peace trade-war.

Apparently the Germans have found some ready dupes for their after-the-war boastings. They are to flood the world with cheap goods the moment peace is declared. Alas, it is only too certain that there is no such good luck in store for a much-tried world! A country that has no cotton and no wool, and has been without both for a long time, cannot flood the world with cottons or woollens. A country where every scrap of copper has been seized for war purposes will have no manufactures of copper for shipment. Where rubber is as precious as gold, manufactures wholly or partially of rubber cannot be looked for, and so on through a long range of commodities. After peace returns Germany will have to make a rush to import raw materials, and she cannot even begin to manufacture till they arrive, and after the manufacturing is begun she will need to meet, at least, urgent home demands before she can think of exporting. It seems as certain as anything can be in a somewhat uncertain world that for some time Germany will be importing various commodities she is accustomed to export.

Whilst the density of population per square mile in the United Kingdom is little more than half that of Belgium, yet within the area of the Kingdom there exists a population between six and seven times as great as that of Belgium. In fact nowhere else in the world is there a population of 46 or 47 millions in territory so small as that of the United Kingdom. This means that the subject of food-supply must ever give concern to the statesmen of Britain.

Sir Charles Lucas, in his interesting book on the Empire, recently published, p. 229, says :

“ The advantages of free trade in England have long been acknowledged. It has brought riches in abundance and cheap food for a continually growing population ; but the advantages have been bought with a price, and that price is that the homeland has become more vulnerable and less self-sustaining. Nor has the free-trade doctrine conquered the world, and the reign of peace is far to seek. So far as England draws the necessities for her life from foreign lands she is not independent, she exists on sufferance.”

Relatively to population it is, of course, true that the homeland has become “ less self-sustaining ” ; this is also true in a smaller degree of quite a number of countries on the Continent of Europe, and of the Continent as a whole. It is open to question whether the homeland is really “ more vulnerable and less self-sustaining ” in the broadest sense, including the matter of food. Britain is probably better able to provide for herself in these days than she was in the days of the Corn Laws, and if this be so, then “ the advantages of free trade in England,” which Sir Charles says “ have long been acknowledged,” instead of having been bought “ with a price,” have been secured merely by the recognition of economic laws.

People cannot be invited too often to ask themselves what kind of a “ little England ” would be in existence to-day if the self-sustaining policy in regard to food had remained dominant ? Britain, the Empire, the world would all have been infinitely different and poorer.

As to England existing "on sufferance" so far as she draws necessities from "foreign lands," the position just now—the end of 1916—affords singular comment. In Australia there is still on hand perhaps 100 million bushels of wheat of the 1915-16 crop of 179 million bushels, and a new crop—promising well—is more or less ready for harvesting. Scarcity of shipping is responsible for the detaining in Australia of the supplies wanted in England. In the present crisis far-distant Empire wheat is less available than nearer foreign wheat. The position reduces the policy of taxing foreign wheat to an absurdity, and it shows the folly of trying to injure foreign countries. In a great world-crisis the record of long-continued and general trading friendliness pays a handsome dividend.

It is probably open to doubt whether the future of Britain's food-supplies is more uncertain than that of the average of other countries, but it does seem safe to say that the policy which recognizes the rights of the world generally in trading matters is the one that will assure the best results to Britain itself even in the matter of food.

FREE-TRADE POLICY AND THE WORLD

Free trade makes a great appeal to the heart and brain on behalf of the United Kingdom alone, and it makes a greater appeal on behalf of the British Empire; but it makes its greatest appeal on behalf of humanity, of civilization, of the present and future of our world.

First of all, a quick, a bird's-eye view of continental Europe may well be taken.

(1) Europe is the smallest of the continents. Area for it could be found four times over in Asia; three times over in Africa; twice over in North America, and twice over in South America.

(2) Europe is a continent whose density of population per square mile is more than twice that of Asia; more than eleven times that of Africa; more than seven times that of North America; and more than fifteen times that of South America

(3) The population of continental Europe took thousands of years to reach an aggregate of 160 millions. This figure was about touched in the year 1800, but between that date and 1914 the numbers bounded up to about 400 millions.*

(4) The aggregate area of the six countries, Switzerland, Holland, Belgium, Denmark, Serbia, and Montenegro, is less (by 10,000 square miles) than that of New Zealand, which itself is only one twenty-eighth the size of Australia.

We have to grasp these facts to fully understand the awfulness, the fiendishness, of the crime of which Germany is guilty. To set fire to a crowded emigrant ship in mid-ocean, or to an hotel crowded with sleeping guests, or to a theatre crowded with visitors from floor to ceiling, would be terrible, but to set fire to Europe crowded as it is to-day has been a crime too hideous for words. Surely hell itself must have been shocked, for not only did Germany set fire to Europe, but chose that part of Europe where the crowd was at its densest to start the fire. At the last census (December 31, 1910) Belgium had a population that equalled 652.9 per square mile, the density being very far ahead of that of any other country in Europe, if not of any other country in the world; and between five and six times the average of all Europe. Never in this world shall we be able to grasp the full horror of what Belgium has passed through, and probably it will be long before it will be known, even approximately, how many of Belgium's babies, children, women, and men have been done to death by privation, ill-treatment, and mental anguish.

Intervening space is a great preventive of strife between individuals and between nations. The closer they are the greater the danger of strife, because each fears the other will gain some advantage by striking first. In Australia criticism has been heard about the danger to Australia

* Mulhall, "Dictionary of Statistics," p. 442, quoting Levasseur's tables, put the population of Europe in 1800 at 175 millions, of which 16 millions were in the United Kingdom. Knibbs, "Official Year-Book of Australia" (1915), p. 105, quoting mainly from the "Statesman's Year-Book," put the population of Europe at 460 millions, including 46 millions in the United Kingdom.

consequent upon some nation having established itself so many hundred miles away, or so many days' steaming. But in Europe nation crowds upon nation, actually touching one another or separated only by some natural boundary, which may be crossed in a few hours—possibly in a few minutes. Switzerland lies with Italy touching her on the south, Austria touching her on the east, Germany touching her on the north, and France touching her on the west—intently watching the struggle going on so near her borders. The territory of gallant Serbia is touched by that of six other countries. Rumania lies equally open to Russia, to Austria, and to Bulgaria—no wonder she hesitated so long before joining the Allies.

So crowded is Europe to-day that the Juggernaut of War can scarcely put down its awful foot anywhere without crushing out human life. So piteous—so beyond all words—is the suffering that has been going on for day and night for hundreds and hundreds of days and nights, that no Briton can do other than hope that the time may come quickly when, Prussianism having been swept out of Europe, it may be possible to do something to help and cheer those who have survived. But help and cheer cannot be brought to Europe nor happiness to the world at large by preventing people from helping and cheering one another by exchanging those productions which the great Creator puts in their hands. To make a new Europe and then divide it into camps—hostile camps—with barriers, more or less high, dividing even the sections of each camp, would be sad indeed.

There is one great country to which the Allies are indebted for kindness that cannot be measured, that is the United States. The ambassadors and consular officers of the States throughout enemy countries have done much to mitigate the sufferings of prisoners—British, Russian, French, etc., and the American people have contributed and distributed with fine organization many millions sterling for the relief of the Belgians and others who were reduced to the last depths of distress and despair. These

be services to humanity that count for much, and yet Britain is being urged to impose duties on goods from neutral countries, of which the United States is the most important. The people who are at the back of all these proposals must be blind indeed if they do not see the direction in which they are travelling.

What the doubling, and more than doubling, of her population in a single century meant for Europe has never been grasped, nor yet the necessity it laid upon the nations of increasing friendliness. Carlyle * spoke of Europe "more and more becoming (so to speak) one parish." That was sixty to seventy years ago, and the factors making for the condition so accurately and graphically described by the term "one parish" were infinitely greater in 1914, but the absence of organization to maintain peace has had the result we all see and weep over.

Professor Farrand † makes a very interesting reference to Aztec civilization :

"The process and to a certain extent the causes of the higher attainments of the Aztec are not hard to understand. The development of agriculture by the elaboration of irrigation naturally produced a greater density of population. *With the increasing numbers in a limited area organization became a necessity.*"

"Increasing numbers," and this "in a limited area," and then "organization" is "a necessity." Will not the civilization of to-day recognize this? The world's troubles in the

* "Latter-Day Pamphlets: The New Downing Street," p. 117. "As to foreign peace, really all Europe, now especially with so many railroads, public journals, printed books, penny post, bills of exchange, and continual intercourse and mutual dependence, is more and more becoming (so to speak) one parish; the parishioners of which, being, as we ourselves are, in immense majority peaceable, hard-working people, could, if they were moderately well guided, have almost no disposition to quarrel. Their economic interests are one: 'to buy in the cheapest market and sell in the dearest.' Their faith, any *religious* faith they have, is one: to annihilate shams—by all methods, street barricades included. Why should they quarrel?"

† Professor Farrand, Columbia University, "Basis of American History" ("The American Nation": History Series); "Record of the Indian: Aztecs," p. 213. The italics are the present writer's.

past have, in the main, been associated, directly or indirectly, with questions of sustenance and they remain so to-day. Never, as to-day, has the peaceable exchange of the world's productions been so absolutely essential to the feeding and the well-being of the world, and it would be a very strange reversal if Britain began to sanction restriction here and prohibition there.

There are some factors of European trade that are evidently overlooked by the people who declare that there must be no buying from, or selling to, the Central Powers of Europe for many years after the war.

Take first of all the case of Belgium—except enemy countries, it is safe to say that there is no country in the whole world that is not anxious for the restoration and future prosperity of this gallant and historic country. It is hoped that Germany may be compelled to pay very substantial indemnities to Belgium—who does not hope that?—but if these can only be paid in goods, the goods will have to be admitted. Then, Belgium lies between Germany and the North Sea, Antwerp being her great port. How many people are there who know that, judged by the tonnage returns of shipping, Antwerp is—or rather was before the war—the most important port in the entire world? Look at these figures:

1912. *Tonnage Entered* *

	Tons
Antwerp	13,686,297
New York	13,673,765
Hamburg	12,346,600
Rotterdam	11,559,143
London	10,800,716

Doubtless the comparative position of Antwerp, if some factors be taken into consideration, is not so great as these

* "The Statistical Register for Foreign Countries," p. 55, says that the Belgian system of reckoning steamships allows a smaller deduction for the space occupied by the propelling power than is allowed by Britain, which makes the tonnage registered as entered in Belgium larger than it would be under the British system.

figures indicate, but the position is most certainly a very proud one for Belgium. If we look at the trading returns for 1912 it will be seen that goods in transit to the value of about one hundred million pounds sterling passed through Belgium—that is, goods from Central Europe were brought by Belgian railways or rivers to Belgian ports for shipment to foreign countries, and goods from foreign countries arriving at Belgian ports were taken by Belgian railways or rivers to the borders of other countries. A through traffic like this, averaging in value about, or nearly, two million pounds sterling every week, would do much to sustain the great trade of Antwerp and give employment in Belgium.

The export trade of Belgium in domestic products has been very great. In 1912 these exports to Germany alone were over a thousand million francs, or forty million pounds sterling in value, being something more than 25 per cent. of the aggregate exports of domestic products. Must Belgium deny herself all or any of this trade, and if she did who would make it good to her? Certainly not those people who cry, "Smash German trade after the war," because they are also seeking to restrict the trade of all other countries—Belgium itself included,* and if the transit trade and domestic trade with the Central Powers be not renewed, what becomes of the proud position of Antwerp, which in the past was so largely due to this very trade?

In 1912 the exports of Belgium were thus sent away :

62.1 per cent. by land

37.9 per cent. by sea.

The exact proportion by land to the Central Powers on the east, and to France on the south, and Holland on the north, the statistics do not show, but the bulk was certainly to the Central Powers, and it is to be remembered that trade for neutral or friendly countries, like Switzerland, Italy, Rumania, to some extent has been dependent on the railway services of the Central Powers.

* The Tariff Commission's War Memorandum (No. 56, 15/3/15) refers specifically to both Belgium and France—pp. 74 and 81—as damaging British trade.

A useful glimpse of the effect of geographical conditions on the trade of European countries is obtained by noting the relative proportion of imports by land and by sea in the case of the following three countries :

	Percentage by sea	Percentage by land
United Kingdom . . .	100	—
Russia	46	54
Switzerland	—	100

Here are the extremes. It may be noted in passing that much of the support, if not of the actual origin, of the proposals for trade war after the military war is ended are to be found in the United Kingdom, Australia, and New Zealand, where all the imports and exports are by sea, and no experience exists of the conditions that prevail in countries more or less land-locked. It is one of the consequences of raising these trading questions during the war that they fail to secure that searching scrutiny they would ordinarily obtain.

The land-locking of countries in Europe results in a very large, a truly enormous, transit trade. Thus, in Holland this trade is said to have reached 15,000,000 tons in 1912. In France, in Italy, in Switzerland, it reaches big figures, and its importance to Belgium has already been shown. It would certainly injure the Central Powers if transit through allied countries were stopped, but such stoppage might easily injure the allied countries themselves more severely still. Thus a large volume of transit trade formerly passing through the Belgian port of Antwerp might be diverted to the Dutch port of Rotterdam or the German port of Hamburg, to the great and lasting loss of Belgium.

Every one knows that small nationalities have a friend in Great Britain, a friend who regards their rights as sacred. But nothing that stands in the way of the schemes for taxing other people's goods is sacred to some people. Hence there is no hesitation in proposing to curtail trade, though it means hitting the small neutral countries, such as Switzerland, Holland, Denmark, Norway, Sweden ; little

nationalities that have passed and are still passing through a very trying time. All of them have suffered through the British blockade. Britain, of course, regrets that this is so, and one would think that, were it possible, she would infinitely prefer to make trading with these countries easier rather than create difficulties on purpose to make their trading more difficult. One would also think that in war-time to even suggest an after-the-war trading policy calculated to make a neutral—however small—less friendly would be deemed disloyal and actionable. Further, it is obvious that suggestions of possible unfriendly action towards neutrals tends to pave the way for enemy overtures in the same directions.

For many years the name of Poland has ever struck a responsive chord in human hearts, and the expectation that out of the welter a new and independent Poland would arise gave infinite pleasure. Suppose these expectations realized, could any one dream of expecting, much more of requiring, the Poles to refuse to sell anything to the surrounding Germans, Austrians, and Hungarians, with whom a large portion of their trade is done? The war-waves that have already rolled over Poland have left that much-stricken land in a plight that defies description, and from which at best it will take long to recover. Where is there a man who would dare to say to a new Poland "thou shalt not trade with thy neighbours"?

And as for that little tortured strip of God's—yes, God's—earth called Serbia, what? Her commerce—in and out—is but small, say £8,000,000, but three-fourths of it, in 1911 and 1912, was done with what are now enemy countries. May not that trade be resumed on the return of peace? Six different countries—Austria, Montenegro, Albania, Greece, Bulgaria, and Rumania—surround and touch little Serbia. For her, peace is surely essential; peace, the real thing, with no trade war. The Balkans, the Near East, has long been the nightmare of Europe, but it must be a nightmare no longer. To keep alive smouldering discontent and danger, the devil himself could invent no more effective specific than a trade war after peace.

Now about Russia. What is proposed? "The large supplies of grain from Russia must be taxed high enough to give protection to British farmers and preferences to the Dominions, and this at a time when, as a faithful member of the Alliance, she is invited to abandon her trade with Germany, her largest and most profitable customer, who took one-third of her total exports. How unlikely it is that Russia will assent to such proposals appears from the recent discussion of the National Agricultural Congress at Petrograd, when the chief of the Ministry of Trade dwelt on the utter impracticability of setting up barriers on trade with Germany.

"The dependence of Russia upon Germany for a market for her surplus foods and raw materials is a 'law of nature.' It is based upon the permanent facts of conterminous frontiers and diversity of natural resources and economic development. Western Russia cannot dispense with German markets either for import or for export trade. Here is what M. Boublikoff, a financial expert and a member of the Duma, said at the Congress on the subject of the proposed boycott of Germany:

" 'Why did Russia buy so much merchandise in Germany? Because she was able to get it at a lower price or on more advantageous conditions than in England or in France. It is clear, then, that the cessation of commercial relations with Germany is equivalent for the Russian consumer to an increase of the cost of living and an aggravation of the position of Russian credit. Is impoverished Russia able to bear such a burden? There cannot be two answers to that question.'

"Such proposals are hardly likely to conduce to mutual goodwill among the Allies, or the endurance of the Alliance after the immediate emergency of war has passed." *

Most surely those people did not know what they were doing who took on themselves the responsibility of proposing,

* These paragraphs with regard to Russia are taken from J. A. Hobson's book, "The New Protectionism," pp. 42-44.

in this the gravest of all the grave crises that ever confronted the world, that Britain—*Britain*—the world's friendly trader, should reverse her policy and attack the trade of all countries, including that of the Allies and of the neutrals—the attack to vary in intensity, but to be everywhere in evidence. If any one doubts the venom that lies in the policy called protection let him study its latest efforts.

The disappearance of Turkey as a European Power will—it is devoutly to be hoped—be one of the results of the war. But there remains Asiatic Turkey. Let happen what may in regard to that, Britain is not likely to offend the susceptibilities of many tens of millions of her Indian people by treating the Turks vindictively in the matter of trade ; and remembering the links with which religion has bound together multitudes of coloured people throughout Egypt, the Sudan, all parts of Turkey, as well as India, the new form of warfare can only be deemed unutterable folly.

Emigration has now for many years been exerting widespread influence, acting and reacting on world-politics. From whatever country an immigrant may come, love of his native land remains with him in his new home, and as prosperity comes to him he often shares it with those he has left behind. One of the most interesting and pleasant features of international finance has long been the stream of remittances ever flowing from new to old lands, bringing cheer to countless poor homes and weary hearts. There is also a stream in the opposite direction representing help from parents to children who have gone abroad. Human affection is one of the most powerful factors in world-affairs. It carries with it to new lands the influences, prejudices, and remembrances of old lands, the seeds of which, sown in fresh soil, germinate and yield new crops, it may be of good or it may be of evil.

The number of Germans and their descendants in the United States is very great. Probably in the States and other neutral countries together they are to-day not less than twenty millions. The Austrians and Hungarians have emigrated largely ; more than two millions in the ten years

ending 1912. In the same ten years the immigration into the United States alone of Europeans averaged about one million a year. The South American Republics have had floods of immigrants, mainly from the southern nations of Europe, like Italy, Spain, and Portugal. When all these facts are remembered it will be understood how the blaze in Europe is being watched all over the world with deep personal concern. Old-world antipathies that were dying out are revived—Germans and Austrians residing abroad cannot be friendly with British and French who are neighbours. The war, therefore, has carried strife, and sorrow with it, into multitudes of homes thousands of miles away from Europe and in countries wholly neutral. This is an entirely modern development of war. Two thousand, or even one thousand years ago a bitter war might be fought out between two countries without even the news of it extending far beyond the countries themselves. The rumblings of the Napoleonic wars, little over one century ago, were not heard in many parts of the world. To-day everything is different. The war-throb is heard and felt everywhere, and the world is face to face with conditions and possibilities undreamt of not many years ago. The war is only nominally confined to Europe, for it is affecting the politics of every country in the world. In the United States the millions of men who were either themselves born in the belligerent countries or are descended from those who were, naturally take sides in the war, and are, in the main, influenced by their birth or ancestry. Voting power and political influence, of course, more or less follow human sympathies. The same conditions exist throughout the various republics of South America, possibly at times in a more acute form, as political life is less secure than in the United States. In the Far East the antagonism is seen with the minimum of restraint.

This the most awful of all awful wars that ever raged has behind it possibilities and dangers exceeding in horror all that we yet know of, simply because there exist more people, more things to quarrel over, and more means of destruction than the world ever before knew, and because when nations

are committed to strife, and their passions and fears are high, there is always the danger of unforeseen complications and developments which might bring death to myriads.

Britain is being tested to-day. Assuredly she may claim to have long stood in the front rank of the workers for civilization and for humanity. Now, whilst she has on her shoulders enormous world-responsibilities, whilst sorrow and misery are everywhere, she must strive her utmost to even better her record of the past, though her own heart aches as never before for the sons she has lost.

If Britain hold not high the torch of civilization before a much-tried world, who is to do it? If Britain were to lag behind in the effort to create a new world, the people of other countries would say, "This is another Britain—one we do not know."

BRITISH CAPITAL OUTSIDE BRITAIN

ITS POLITICAL, FINANCIAL, AND COMMERCIAL SIGNIFICANCE

EVERY country has a certain world-position in addition to its home-position. In some cases the world-position is insignificant, in others it is more or less important, but in the case of Great Britain the world-position is (1) unique and unparalleled in regard to territorial possessions; (2) unique and unparalleled in regard to sea power; and (3) also unique and unparalleled in regard to money power. The territorial possessions and the sea power are accepted Empire facts, but the existence of the money power is scarcely recognized. That Great Britain has invested money in many parts of the world is well known, but that the investments are as widespread and as colossal in amount as they are, few people know, still less is it recognized that out of this widespread and colossal movement a world monetary power has come into existence at once unique and unparalleled.

British capital has been flowing outwards for many years, and, at the time when war was declared, the aggregate amount to the credit of British capitalists was estimated to be not far from four thousand millions of pounds sterling. The flow has not been by any means a steady and gradually increasing one: but rather has it been spasmodic in volume and variable in destination. During the years 1908 to 1913 inclusive, the stream attained marked dimensions, reaching an aggregate of about one-fourth of the total named, or one thousand millions,* in public securities alone, private investments being additional.

* The *Economist* gives the figures as 143, 164, 207, 166, 166, and 160 millions in the respective years, or a total of 1006 millions.

The capital invested abroad may be usefully divided as follows * :

Invested in foreign countries in Europe	£	242 millions
„ other foreign countries .	1658	„
„ British possessions .	1936	„

It may be said that, substantially, half the investments are within the British Empire, and the other half in foreign countries. With regard to investments in Europe, there has been a marked decrease in the amount. "France has repurchased from us most of the Rente which we acquired from her during and soon after the war of 1870, and our holdings of Italian, Russian, and some other securities are less than they were." † With the exception of the relatively small amount in Europe, it may be said the British investments abroad are all employed in new or at least undeveloped countries.

The sum that these outside British investments have reached is so colossal that the subject could not fail to attract attention, yet, spite of all that has been written and said, the full importance, the political, the financial, and the business consequences involved are not generally grasped, though these consequences, some quite certain, are of the utmost gravity.

Politically there are big possibilities behind investments in foreign countries. To be the "great creditor nation" of the world is to occupy a position that carries with it envy rather than love. Whilst the pleasant days last, in which the borrowed money is being spent, the interest is no burden ; but as the years roll by, and it is noticed that more money has been paid in interest than was originally borrowed, whilst the debt itself remains as big as ever, the interest—especially if the times are hard—is apt to be looked upon as

* *Statist*, January 8, 1916.

† R. L. Nash's Introduction to the last edition of "Fenn on the Funds." A writer in the *Round Table* says that the figures for Europe in 1910 were 151 millions, having fallen 103 millions since 1896. The holdings are less than given by the *Statist*, but there is a little difference in the dates.

tribute money taken by the richer country from the poorer. It is not intended here to prospect the ground for all possible political troubles that may arise : to any statesman worthy of the name they should be self-evident. But, in connexion with the object of this book, it must be made clear that any tariff policy that imposed difficulties in the way of the admission of the products out of which the interest has to be paid would be a blunder of the greatest magnitude.

Take the Argentine, for example. British investments have been on so large a scale that (at 5 per cent.) the yearly interest is nearly, or quite, twenty millions sterling. If further investments cannot be made for some years to come, then the whole of the interest named would have to be paid out of the money realized for the exported products. Such being the position, were a policy adopted under which it is deliberately sought with one hand to more or less block the sale of the produce, whilst with the other hand every penny of the interest is grasped, the Argentine would feel to be harshly dealt with. If world-markets are depressed, or if drought has largely destroyed the crops, so that, even apart from the debt for interest, the country is impoverished for the time being, then the interest may represent a burden that cannot be borne without a financial crash resulting, in which Great Britain herself might easily lose much money. But Great Britain may more easily still lose something more valuable than money, for the hard-pressed people of the Argentine, being only human, might connect their troubles with the policy of Great Britain, and in resenting it replace friendliness with unfriendliness. And this, occurring in connexion with the Argentine, may occur in connexion with country after country.

Great Britain is under no *legal* obligation to shape her tariff policy so as to please countries in which she has invested capital, but between nations there is—or should be—something higher and more vital than mere legality. A country that has been so richly dowered by Nature, and so blessed by Providence, that it can take part in the business affairs of other countries to the extent of hundreds and

even thousands of millions, does most certainly incur some moral obligation towards those countries by so doing. In the main the countries in question borrow because they are undeveloped, and being so have not the stored-up capital of old and developed countries. To find money for a young country to build railways to bring grain and meat to its ports is to put British capital to splendid use. But, the railways being built, to say, "Keep your grain and your meat, but take care that you pay the interest as it falls due, and the debt itself at maturity," would sound more like Shylock than like the fair-play-loving Briton.

The more this matter of external investment is looked at the greater the importance of it will be found to be. At the time the war broke out Great Britain was in the position of being able to claim merchandise from foreign countries to the extent of between eighty and one hundred millions in value year by year without sending in return either money or merchandise, and the same position, and to the same extent, existed between Great Britain and the rest of the Empire. This is the unique and unparalleled world-money-power which Great Britain possesses. If we apply the divisions of the income tax to British imports they would have to be divided into two classes—first, the earned, and, second, the unearned. In the same sense as that in which certain income is deemed to be "unearned," certain imports are also "unearned." These unearned imports increased enormously during the quarter of a century preceding the war, and the thought is rather a staggering one that at the same rate of increase only a moderate number of years would have to pass before Great Britain would be able to obtain the whole of her imports on the "unearned" basis, and would cease to be under the necessity of exporting anything.

THE RELATION BETWEEN BRITISH LOANS AND BRITISH EXPORTS

In the days of Greece and of Rome, and even before, there must have been investments of capital abroad—by

the older and richer countries in younger and poorer countries—but what is before the world to-day is entirely modern : and the effects it is having on the world's commerce and on the relationships of States have yet to be appreciated. Commerce, in the broad and generally accepted sense, is the exchange of commodities between countries, but this is now being varied, and mightily so in the case of British trade. It is to-day more accurate to say that commerce is the exchange of commodities between countries modified by the movements of capital and of interest thereon.

It will be well to give some examples of how British exports have been affected by the movements of British capital :

Exports of British and Irish Produce to Foreign Countries

1866-70	.	.	aggregate	685.9 million £
1871-75	.	.	„	876.0 „
1876-80	.	.	„	669.0 .

These are exports to foreign countries only, the big jump in the figures in 1871-75 will be noted, as also the remarkable drop in 1876-80. How far the changes were due to the effects of the Franco-German War it is difficult to say, but the earlier period had been marked by large investments abroad, including United States railways, and numerous loans to small foreign countries. In the last period there was a great change for the worse, eighty-four United States railway companies, with \$420,000,000 capital, were foreclosed upon and sold,* whilst the exports of rails from the United Kingdom to the United States dropped from 561,000 tons in 1871 to 18,000 tons in 1875.† The total exports of United Kingdom products to the United States fell from 41 million pounds in 1872 to 17 million in 1879. In respect to loans there was great trouble. In 1878 it was estimated that 234 million pounds were in default,‡ though in some cases only temporarily, and part of the loss fell on French

* Records of Statistical Society, 1878.

† *Ibid.*

‡ *Ibid.*

and other foreign investors. "The check to such investments was very real after the great collapse in 1875 . . . for two or three years London and Paris would hardly look at a foreign loan," says a financial authority.* There being no more foreign loans the special loan—exports to foreign countries—came to an end. It was estimated † that "the probable annual investments abroad of British capital" averaged 39, 60, and 3 millions, aggregates of 105, 300, and 15 millions respectively in the three five-year periods. Of the close connexion between the investments and the exports there can be no doubt.

THE TRANSFER OF CAPITAL TO AUSTRALIA AND NEW ZEALAND

The transfer of capital from the United Kingdom to Australia and New Zealand can be profitably examined, because the finances of these two countries are not made complex by the addition of any foreign element, as are those of, say, Canada, in which Dominion the United States has big monetary interests, not easily traced nor gauged. In Australia and New Zealand the railways and other public works have been constructed by the States themselves out of the loan moneys obtained in the United Kingdom, which again facilitates the study of this subject.

"No feature of Australasian finance is so astonishing as the growth of the public indebtedness." ‡ The following table gives the amount and growth of the aggregate public debts of the States in ten-year periods :

Australian State Debts

In millions of £				
1861	1871	1881	1891	1901-2
£	£	£	£	£
11.3	30.1	66.3	115.1	215.8
Increase, 10 years :	18.8	33.2	88.8	60.7

* R. L. Nash in "Fenn on the Funds."

† By Lord Eversley (then Mr. Shaw-Lefevre).

‡ Coghlan, "The Seven Colonies" (1901-2), p. 1018.

These figures relate only to public borrowings, they do not include private investments. The authority just quoted puts the private investments between 1871 and 1901 at a total of 89 millions,* the bulk of which was invested during the ten years 1881-91. As government borrowings promote prosperity it is natural that capital should be privately attracted at the same time with a view to profit by the prosperous conditions.

Here is another table, showing British investments in the rest of the Empire during a portion of the 'eighties :

British Investment in the Colonies †
(Represented by Securities held in Great Britain)

	In millions of £		Increase
	1883	1887	
	£	£	£
Australia . . .	151.0	222.5	71.5
New Zealand . . .	49.0	58.5	9.5
India	255.0	272.0	17.0
Canada	112.0	135.0	23.0
Cape of Good Hope	30.0	32.5	2.5
Total, all colonies .	620.0	744.0	124.0

These figures cover a period of three and a half years. Clearly in those years Australia was the fashion with investors, for out of 124 millions 71.5 came to Australia, leaving only 52.5 for all the rest of the Empire.

The papers put before the Colonial Conference of 1902 contained a table comparing British exports to the various States of Australia with the loans made to them. This statement agrees closely with the Australian figures, indicating that the 'eighties were Australia's special borrowing years.

* Calculated from table, "The Seven Colonies," p. 757.

† The *Economist*.

EXPORTS AND LOANS

*Export of British and Irish Produce to Australia compared
with the loans for the periods named :*

	5 years 1866-70	5 years 1876-80	5 years 1881-85	5 years 1886-90	5 years 1891-95	5 years 1896-1900
	Mill. £	Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
Exports	49.8	72.5	100.1	97.4	76.8	91.7
Loans	12.0	22.4	49.0	35.2	27.4	23.6

The British figures are supported by the following Australian figures :

Australia

5-year Periods	Aggregate Excess of	
	Imports	Exports
	Mill. £	Mill. £
1867-71	—	11.0
1872-76	—	6.0
1877-81	5.0	—
1882-86	45.0	—
1887-91	30.0	—
1892-96	—	37.0
1897-1901	—	41.0

Australia being a debtor country must, unless further debt is incurred, export enough to pay both for her imports and her interest. In not one of the four periods in which an excess of exports is shown was the excess enough to pay the whole of the interest, indicating that the difference was balanced by further debt. In the other three periods it is clear that enough new debt was incurred to pay the whole of the interest and provide the excess of imports here shown.

That ever-vigorous country, New Zealand, probably led all the British colonies in the matter of importing capital. With a population of only some three or four hundred thousand, public works on a large scale were started in the

* Australian "Official Year-Book" (1915), p. 518.

early 'seventies, and in the course of a few years more British capital poured into New Zealand than in any similar period since, though the population grew much greater. The British investor, who in the 'seventies was very sore over his losses on foreign investments, responded readily to applications from New Zealand, as the following figures of the public debt clearly show :

*New Zealand State Debt **

In millions of £					
1861	1871	1881	1891	1901	1911
£	£	£	£	£	£
0.6	8.9	29.7	38.8	53.0	62.2
Increase, 10 years :					
	8.3	20.8	9.1	14.2	9.2

The customs returns of New Zealand show that during the period 1871-81 there was an aggregate excess of imports of 14 millions, a truly big sum for a relatively tiny population.

That British exports to New Zealand in the 'seventies, and to Australia in the 'eighties, were exceptionally large consequent upon the capital invested is clear beyond doubt.

RECENT INVESTMENTS

The external investments of the British capitalist assumed great magnitude in the years 1908-13. The following figures † (p. 65) show the investments in government, municipal, and other loans, and in public companies, made in the respective years.

It will be understood that this table indicates the disposal of only part of the British savings during the years in question—viz. the part invested in and represented by public securities, and that it gives no indication of the extent or direction of the investments or deposits made privately at home and abroad. If the savings during the

* Coghlan, "Seven Colonies" (1902), p. 1018—except for 1911, which is taken from the New Zealand "Official Year-Book" (1913), p. 792. The figures are exclusive of debt owing in New Zealand itself.

† Compiled from the annual statements of the *Economist*.

six years aggregate 2400 millions, it may be that one-half or 1200 millions were invested at home, and the other half abroad. The bulk of the investments *privately made* would certainly be at home. At any rate the table gives evidence

British Capital Investments

In millions of £					
		United Kingdom	Rest of the Empire	Foreign Countries	Total
		£	£	£	£
1908	. .	50	59	83	192
1909	. .	19	75	88	182
1910	. .	60	92	115	267
1911	. .	26	65	101	192
1912	. .	45	73	93	211
1913	. .	36	76	85	197
		—	—	—	—
		236	440	565	1241
Total abroad		.	.	1005 mill. £	

of enormous investments abroad, and it is impossible not to see the connexion that exists between them and the remarkable growth in the exports that marked the same period.

It will be well now to look at the destination of the investments in the rest of the Empire in the years 1908-13 :

Distribution of the 440 millions of British Capital invested in the rest of the Empire

In millions of £						
		Canada	Australia and New Zealand	India, Ceylon	South Africa	Other parts
		£	£	£	£	£
1908	. .	28	4	13	6	7
1909	. .	27	12	15	11	10
1910	. .	37	13	18	3	21
1911	. .	41	3	5	4	11
1912	. .	47	13	4	4	5
1913	. .	44	19	4	6	3
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	. .	224	64	59	34	57

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TRANSFER OF CAPITAL TO CANADA

It will be seen that of the 440 millions invested in the rest of the Empire the Dominion of Canada absorbed no less than 224, rather more than one-half : a striking contrast to what occurred in the 'eighties, when, as already shown, in three and a half years Australia absorbed $71\frac{1}{2}$ millions, and Canada only 23 millions, out of the total of 124 then invested in the rest of the Empire. In the case of Australia it was easy to show how the exports followed the loans, and it is almost equally easy to do so in connexion with all the other parts of the rest of the Empire with the one exception of Canada. Here—with the proximity of the United States having large financial interests in Canada, and a border-line of 3000 miles making countless channels for quick and easy trade between the two countries—the position is very complicated, and it is quite impossible to trace with accuracy either the position or the progress of British commercial and financial relations with Canada. The very complications and differences that exist will, however, when carefully looked at, throw light on the whole of the interesting subject of the relations between British commerce and British finance.

The following table puts the Canadian position—with its comparison with the Australian—in perhaps its most difficult form :

British Capital and British Exports

Six Years, 1908-13

	British Capital invested in million £				British Exports thereto in million £	
Canada	.	.	224	.	.	132.4
Australia	.	.	43	.	.	195.3

Here the smaller exports go with the larger capital Investments, but the table must be read with the following one :

Aggregate Imports and Exports, 1908-13

	Imports Mill. £	Exports Mill. £	Excess of	
			Imports Mill. £	Exports Mill. £
Canada .	574.8	380.0	194.8	—
Australia .	385.9	441.3	—	55.4

This second table shows (1) that Canada's big borrowings were accompanied by big imports of goods, and (2) that Australia's exports were sufficiently large to pay for her more modest imports, *plus* her interest engagements, with the aid of comparatively small borrowings.

The Canadian figures make it evident that a loan of capital from one country to another does not necessarily mean that the goods representing the capital will be sent direct to the country concerned. A loan of capital takes the form of a credit which serves throughout almost all the world, and therefore loan-exports tend to be distributed amongst the countries whose goods are bought by the borrowing country. Further, it seems to be clear that the borrowing country generally imports its borrowed capital in the form of enlarged quantities of the goods it is accustomed to consume, and from those very countries with which it is accustomed to trade.

Whence Canada obtained her big imports during 1908-13 can be seen from the following table, which gives also the figures for the six preceding years :

Aggregate Canadian Imports

From	1908-13		1902-07	
	Mill. £	Per cent.	Mill. £	Per cent.
United States .	348.8	62.43	185.8	60.33
United Kingdom .	128.7	23.04	74.8	24.28
All other countries,				
British and foreign	81.2	14.53	47.4	15.39
	<hr/>	<hr/>	<hr/>	<hr/>
	558.7	100.00	308.0	100.00

This table is very interesting and instructive ; it shows not only the fact, which is well known, that Canada gets the bulk of her imports from the United States, but that the percentage of such imports is as large and actually larger in the period of big borrowings from the United Kingdom than in the preceding period when such borrowings, if any, were certainly relatively small.

Going a step further, it is possible to estimate the amount of capital obtained by Canada during the fifteen years ending March 31, 1914. Taking first the excess of imports and exports :

*Canada. Excess of Imports and Exports
Fifteen Years, 1900-14*

Excess				Countries
Imports	Exports			
Mill. £	Mill. £			
348.1	—	.	.	United States
—	168.0	.	.	United Kingdom
61.8	—	.	.	Other countries
—	—			
241.9	—			

Canada follows the usage of the United States in recording her imports at their value in the countries of export, so that the real import value is greater than shown, but, as freights to Canada are not high, especially from the United States, the difference will probably be covered by the addition of 4 per cent. on the gross imports. There is also the value of imports which are re-exported and included in the export, but not in the import statistics (p. 69).

Some of these figures, especially those relating to freight and interest, may be varied by authorities more in touch with Canadian affairs than the writer is, but he does not think that their substantial accuracy can be called in question. The new capital, 586 millions, or an average of 39 millions annually, over the fifteen years, looks like a reasonable estimate of the capital investments in Canada made by the capitalists of the United Kingdom and of the

United States combined, when the immense commercial and financial activity of these years is remembered ; and whilst it is not possible to separate the activities of these two countries and to say the proportion of the new capital each supplied, there seems no ground on which to dispute the claim that it is proved that the big British investments of 1908-13 did reach Canada, though, in the main, through the United States, and that they assisted to bring about the increase of British exports which marked the years in question.

Canada. Excess of Imports and New Capital

	Mill. £
Excess of imports as shown	241.9
Freight, 4 per cent. on 1100 million pounds	44.0
Re-exported imports, as explained	30.6
	<hr/>
Making total excess of imports	316.5
To this add for interest to United Kingdom and United States investors, fifteen years at, say, 18 million pounds yearly	270.0
	<hr/>
New capital, 1900-14	586.5

WANTED—A DEPARTMENT OF FINANCE

It is high time the Board of Trade established a Department of Finance specially charged with the duty of recording all the financial results and influences of Britain's vast external enterprises. So solid a proportion of Britain's wealth is involved that it is surprising this has not yet been done, and the ignorance that exists on the subject is evidently very great. Britain's external business affairs are represented mainly by (1) imports and exports, (2) investments abroad, and (3) shipping trading abroad. It is only under the first head that statistics are available showing the money involved, and they, invaluable as they are in many respects, are yet more or less misleading, taken alone, as any guide to the final results of trading between the United Kingdom and other countries.

Take the 1913 returns of Britain's imports from and exports to Australia.* The former stand at 38.8 millions, and the latter at 37.9 millions, the difference between the two being less than one million, and that an excess in favour of Australia. The figures are fairly close, but when they are corrected even by freight alone a very different result appears. Nearly the whole of the trade between Britain and Australia is carried on by British ships, and the distance being great the freight is correspondingly heavy. Ten per cent. on the value of the goods carried is probably a moderate estimate. Take the figures again :

	Imports From Australia	Exports To Australia
	Mill. £	Mill. £
	38.8	37.9
Deduct 10 per cent. on £35,000,000†	3.5	—
Add 10 per cent. on £34,000,000	—	3.4
	35.3	41.3

Britain earns freight on the goods imported from Australia and also on the goods exported to Australia. The freight, in all 6.9 millions, covers the small balance favouring Australia and creates the more substantial balance of 6.0 millions in favour of Britain. But there still remains the bigger matter of the interest on Australian debts, both public and private, and if this be taken at 14 millions it would bring the difference against Australia up to a total of 20 millions, which means so much further debt,‡ and an increase of perhaps a million a year in the amount of "unearned" imports which Britain may expect Australia to supply. This is just one illustration of the utter silence that marks the publications of the Board of Trade in regard to the profits which British shipping and British capital

* "Statistical Abstract, British Empire," pp. 82 and 84.

† A margin of one-tenth left for foreign vessels.

‡ The "Official Year-Book of Australia" (1915), p. 729, gives the public debt to London at 192.2 million pounds for the year ending June 30, 1912; 204.4, June 30, 1913; and 224.1, June 30, 1914. Private investments, in companies, etc., are additional.

collect from the world, and also in regard to the bearing of debt on the position of debtor countries. Further, there is nothing to lead one to know that in the year in question the imports from Australia, after paying freights and interest, only paid for about one-half of the British exports to Australia.

Import and export statistics lend themselves with singular facility to the creation of deceptive views with regard to the financial position of a debtor country, mainly because of that hidden factor—interest. In 1902, Mr. Coghlan, the Australian statistician, referring to the growth of the debts of Australasia (i.e. Australia and New Zealand together) from 1870 to 1901, said * :

“In spite of the fact that during the last thirty-one years the indebtedness of Australasia was increased by £314,816,000, the money or money’s worth actually received, as represented by the excess of imports, was less than that sent away by £4,910,000. Such is the operation of interest as affecting a debtor country.”

In order to make it less difficult “to conceive how such a result has been possible,” Mr. Coghlan explains that part of the interest accruing—103 millions—was on debts and investments existing at the beginning of the thirty-one years.

CAPITAL—TRANSFER FROM ONE COUNTRY AND ASSIMILATION IN ANOTHER

The transfer of capital from one country to another is not at all the easy matter some people imagine it to be. In California, in Australia, in South Africa, when gold was discovered, capital began to flow in and gold to flow out ; and it remains the same to-day. If a new country wants five millions more capital she may take part of it in gold for purposes of circulation ; but, speaking generally, what she will take are usable goods. Then comes the question of how to get these goods into use, and to do so without

* “The Seven Colonies” (1901-2), p. 755.

bringing about a period of speculation and luxurious living. The transfer of capital is, indeed, a science which has yet to be thoroughly mastered and made clear. In the process of transferring capital to other countries tens of millions have been absolutely lost, and both lenders and borrowers been made unhappy. A proper grasp of the subject by the Board of Trade * might do much to prevent both the unhealthy boom and the calamitous "bust" so well known in new countries. The present writer is quite sure that the rashness of British investors themselves did much to bring about the financial crash which shook Australia in the early 'nineties.

The following table (p. 73), showing the effect on imports of the late borrowing boom in Canada, is very instructive, especially as the results shown correspond with Australian and New Zealand experience.

These figures require to be taken in conjunction with those of both population and exports :

	1900	1913	Increase per cent.
Population . . .	5,322,000	7,758,000	46
Exports, million pounds	39.4	80.8	105

Here we see truly remarkable expansion. The enlarged population at the 1900 rate would have consumed 46 per cent. more luxuries than were imported in 1900, and on the basis of the exports a total 100 per cent. higher could have been afforded. It is only on the increase beyond the 100 per cent. that criticism is called for.

Population is the main justification for borrowing, and in the very great increase in the numbers of her people Canada was amply warranted in importing capital very freely. But then comes the question, how fast, to what extent, can capital be introduced and be kept in existence? Here we are in the dark, without any guide or direction: the whole vast subject of the transfer of capital from country to

* The writer made a statement on the subject before the Dominions Royal Commission in Sydney, April 18, 1913, which can be seen in the Report.

country ignored alike by governments and by departments such as the Board of Trade.

Canadian Imports of Luxuries
The Years 1900 and 1913 compared

	Some of such Imports		Increase per cent.
	1900 £	1913 £	
Ale, beer, porter . . .	45,939	285,459	522
Books	239,478	730,707	205
Automobiles	—	2,028,947	all
Coffee	100,807	505,283	401
Earthenware, etc. . .	198,545	666,562	231
Fancy goods, laces, etc.	480,292	1,029,837	114
Furs, etc.	412,591	1,596,946	285
Glass and glassware . .	341,087	1,103,345	223
Gloves and mitts . . .	144,444	572,840	297
Hats and caps	336,989	1,102,465	227
Jewellery	118,965	442,491	272
Paintings, drawings . .	173,029	402,749	138
Perfumery	25,644	138,820	441
Pickles and sauces . .	50,364	165,900	229
Precious stones . . .	129,438	916,680	606
Silk goods	808,839	2,253,042	178
Spirits	285,401	1,114,755	291
Tobacco	443,389	1,659,752	274
Wine	122,176	376,790	209
Woollens	2,096,271	6,524,729	211
Iron and steel goods . .	6,092,297	27,765,122	351
Total imports	37,151,572	138,856,281	274

Following the list of imported luxuries an example of what looks like a true developmental import is given—viz. iron and steel goods, 6.1, increased to 27.8 millions. It is easy to think that the increase here shown represents imported capital that will remain in existence ; this cannot be said with regard to the luxuries named ; they represent

capital that has been partially or wholly consumed in every sense of the word.

EXPORT STATISTICS AND THE EFFECT OF LOANS

British investments abroad are so interwoven with British commerce that they ought not to be ignored by any one who aims to faithfully represent Britain's commercial position. More attention than is given to-day was paid to this factor in public affairs many years ago when it was infinitely less important than now. The Records of the Statistical Society show that in 1878 the matter received attention in several papers read before it. Early in the 'eighties Sir T. H. Farrer said :

" The amount of our exports to and imports from each foreign country and colony is at different times influenced by a large number of causes altogether independent of the permanent demands for our manufactures in that country . . . perhaps, above all, by the character and quantity of British investments abroad . . . which tend to cause exports as the capital is lent, and imports as the interest is paid." *

Sir R. W. Rawson,† referring to the tables he had published (1887), claimed that they " are generally consistent with the history of the period " and " reflect faithfully the known incidents of inflation and depression " ; and so they did—more honest and painstaking tables were never put before the public. He named " Loans, foreign and colonial," as one of the influences affecting British trade.

A comparatively recent reference to this subject was an able article in the *Quarterly Review* (July 1907) on " British Investments Abroad." The writer says ‡ : " As a general rule, it will be found that large investments of British capital abroad is immediately followed by a marked increase

* " Free Trade versus Fair Trade," p. 54.

† Chairman of the Commercial Committee of the Imperial Federation League and the author of a most elaborate book on " The Tariffs and Trade of the British Empire," published about 1887, vol. ii, p. 17.

‡ P. 270.

in the value of our exports to the colony or foreign country concerned"; and the final paragraph reads, "It may be said that the expansion of British exports is in a large measure contingent upon the investment of British capital abroad."

The subject of the important bearing of the transfer of capital on exports must be pressed, for many people know nothing about it, and some who do know ignore it. To compare the size of a trade when inflated with unpaid-for goods, with the size when the inflation is gone, is as bad as to compare the speed of a clipper racing before a fifty-mile breeze with her speed in a dead calm.

It is fine to observe how a British community stands to its guns in the crisis of hard times. When it finds it has been going too fast, sowing too many wild oats, and got into a bit of a hole, it is then the shoulder goes to the wheel, and work, real developmental work, is done as never before. Only those who have been through it can appreciate it all. In Australia, in the ten years ending 1891, the sum of 75 millions of money, in the form of excess of imports, was flung among three million people. It was overdone. British investor and Australian borrower were alike to blame, and down with a crash came the edifice of a false prosperity. But Australia reversed the position by sending away 78 millions excess of exports in the ten years ending 1901, and 154 millions in the ten years ending 1911. How was it done? By producing and exporting. The exports, which had been under thirty millions, rose to over thirty, to over forty, to over fifty, to over sixty, to over seventy, and on to near eighty millions! Australia had paid all she owed for interest, and had repaid many millions of the capital. True, she had been aided by good seasons and good world-markets. But work—hard and skilled—had been the main contributor, and Australia again reached a position of prosperity, but this time it rested on the solid basis of production, and justified the moderate addition to her imported capital which she made shortly before the war.

New Zealand had gone through a similar experience some

years earlier, and had emerged from it with brilliant success. It was not till recent years that Canada seriously over-borrowed, that she did so during the few years before the war there can be no doubt, but the depression that had set in seems to have been counteracted, strange to say, by certain financial effects of the war itself. However, the climate of Canada is of such a tonic character that it must have created in its people a physical ability to do and endure, equal, if, indeed, not superior, to that of the people of any other part of the British Empire, and a temporary depression will only act as a rest-time to precede further progress towards that splendid future that assuredly lies ahead of the great Dominion.

TARIFF POLICY AND THE RELATIONS BETWEEN GREAT BRITAIN AND THE DOMINIONS

THE effect of British tariff policy on the relations existing at different periods between the people of Great Britain and the people of the British colonies is very interesting and very instructive.

FIRST PERIOD: TO 1776

In the old days, when protection was in the saddle in Britain and drove roughshod over all interests that were supposed to be of an opposing nature, and when "colonies" meant little more than the American and the West Indian, the first Lord Sheffield declared that * "the only use of American colonies or West Indian Islands is the monopoly of their consumption and the carriage of their produce." This declaration was, perhaps, surpassed by that of Lord Chatham, who asserted that the British colonists of North America had no right to manufacture even a nail for a horseshoe. This sort of spirit was the very thing to drive men with British blood in their veins into rebellion. Bancroft, the American historian, spoke of the British Navigation Act as being an "odious measure," one which provoked the people. The rebellion, followed by independence, and the establishment of the Republic, made an end of what was then the most important part of the British Colonial Empire. The Republic started on its great career with about two millions of white people, the British Colonial Empire being left with less than half a million, mostly centred in Canada.

* The two quotations are from McCulloch's "Dictionary of Commerce," p. 349.

There seems no escape from the conclusion that this great Empire break was the direct result of British protection, which by selfishly working for Britain against America succeeded in losing America altogether. The British policy of those old days was clearly and emphatically a failure, and one that should be a warning for all time. The fact that preference was linked with protection makes the failure all the greater, and the warning all the more emphatic. America proved that neither protection nor preference nor both combined make a good Empire cement.

SECOND PERIOD: 1776 TO 1846

The second period covers the seventy years between the American break and the inauguration of free trade in Britain. During the whole of this period the heavy hand of British protection lay on the Colonial Empire, the heaviness somewhat lessened towards the close. In size the Empire was greatly increased by the annexation of Australia and New Zealand; in population it increased till the number in 1846 again reached the figure of pre-rebellion days. Canada still stood practically for the Colonial Empire, as between 80 and 90 per cent. of the white subjects of Britain—outside Britain—were in Canada. Though the other Dominions were then negligible in comparison, Canada's growth in seventy years was disappointing, emigrants evidently preferring the United States, the white population of which increased to seventeen millions, whilst the Canadian only increased to two millions. There were nowhere signs that British protection and preference helped the colonies to grow. It was rather the reverse, because with preference in British markets Canada grew slowly, whilst without such preference the United States trade with Britain grew rapidly. As an instance of the repressive action of British protection it will serve to mention that the East India Company had more or less control of Australian trade for the twenty-five years, 1788 to 1813, when their power was broken by Act of Parliament. During the last twenty

years of the seventy the severity of British protection and some of its absurdities had been reduced, and the seeds of a freer, fuller, nobler life were germinating, and already gave hopes of a glorious harvest.

THIRD PERIOD: 1846 TO 1914

The third period was marked by the greatest changes of policy: changes amounting to reversal in regard to trade and commerce. Britain swept away protection in her own ports; opened them wide to the products of all the world, and followed this up by giving to Britons overseas complete power over their own commerce.

Instead of being tied down to buy goods only from Britain, however high the prices; to sell their products only to Britain, however low the prices; and to use only British shipping and that at the British shipowners' rates of freight—instead of this they could buy goods from any country they liked, sell their products to any country they liked, and use any ships they liked. Truly great and momentous changes, all of which were completed by the year 1860. In 1861 the various colonies of British North America were given power to arrange commercial treaties between themselves. In 1874 the Australian colonies were given similar powers. The Canadian federation was effected in 1869, the Australian in 1901, but in neither case had any use been made of these treaty powers when federation came about, showing that Britain was giving certain powers to her colonies even before they were wanted.

Representative legislatures were given to colony after colony, to be speedily followed by the grant of full responsible government.

Complete powers over the disposal of land—millions of square miles—were freely given.

It might be said that in the Dominions

*Freedom quickly broadened down
From precedent to precedent,*

and not freedom alone, but dignity and honour. In Canada the two naval stations, Halifax on the Atlantic coast and Esquimalt on the Pacific coast, have been handed over to the Dominion Government for maintenance.* In Australia the naval station of Sydney has been handed over to the Commonwealth Government.

In 1887 the Kermadec Islands, and in 1901 the Cook Islands, were by proclamation made part of New Zealand, though the latter group are more than 1600 miles away.

British New Guinea, now known as Papua, with an area of 90,000 square miles, with a coloured population assumed to approach half a million, has been handed over to the Commonwealth of Australia, and is now in fact a dependency of Australia. It was annexed by Great Britain in 1884, and the Colony of Queensland was associated with the Colonial Office in the government before it was finally annexed to the Commonwealth.

In 1914 the white population of the Dominions, all told, aggregated about sixteen millions, but the great, the almost reckless generosity with which powers of self-government were granted can only be seen by taking the population, colony by colony, at the date of the grant having been made. Thus responsible government was granted to Queensland, with a population of about 25,000, though the area was between four and five times that of the whole of the United Kingdom. In the case of Western Australia the grant was made to a population of under 50,000, though the area was equal to that of the United Kingdom eight times over.

Transfers of powers such as have been seen in the British Empire since the advent of the free-trade spirit and free-trade legislation the world never saw. They could not have taken place had the spirit and legislation of the old protective days still dominated Britain. There can be no doubt—not even a shadow of a doubt—on the point.

The Briton overseas is not blind to the blessings he enjoys, though he may overlook at times the policy from which

* Dr. Parkin, "The Empire and the Century" (1905), p. 419.

they flow. "The open ports of England," says Mr. Reeves * of New Zealand, "are the Colony's one great market; and for many years England's treatment of her colonies has been kindly and just—in one respect even more than just."

It was Edmund Burke who in his truly great—surely inspired—speech in 1775 on "Conciliation with the Colonies," † at the time the American trouble began, said:

"My hold of the colonies is in the close affection which grows from common names, from kindred blood, from similar privileges, and equal protection. These are ties which, though light as air, are as strong as links of iron. Let the colonists always keep the idea of their civil rights associated with your Government—they will cling and grapple to you; and no force under heaven will be of power to tear them from their allegiance. As long as you have the wisdom to keep the sovereign authority of this country as the sanctuary of liberty, the sacred temple consecrated to our common faith, wherever the chosen race and sons of England worship freedom, they will turn their faces towards you. The more they multiply the more friends you will have; the more ardently they love liberty the more perfect will be their obedience. Slavery they can have anywhere. It is a weed that grows in every soil. They may have it from Spain, they may have it from Prussia. But until you become lost to all feeling of your true interest and your natural dignity, freedom they can have from none but you. This is the commodity of price of which you have the monopoly. It is the spirit of the English Constitution, which, infused through the mighty mass, pervades, feeds, unites, invigorates, and unifies every part of the Empire, even down to the minutest member."

Burke was ahead of the times in which he lived, but he most certainly helped to create the times which followed. When he spoke in 1775 "the spirit of the English Constitu-

* The Hon. W. P. Reeves, "The Empire and the Century" (1905), p. 474.

† Quoted from "The Spirit of Man" (1915), by Robert Bridges, the Poet Laureate.

tion" had not yielded half its fruit. It was destined to break the chains of the slave; to smash privilege; breathe freedom into commerce; and, still progressing, gradually and proudly turn Colonies into Sister Nations.

The Briton overseas feels all this and responds to it through every fibre of his being. Probably his love for "the flag" has more of worship in it than that of the average resident in the British Isles. Probably he, too, is the more accustomed to associate with "the flag" the possession of every virtue that makes a nation great. Most certainly there are thousands of overseas Britons who would deeply deplore any departure by Britain from the paths of political and economic uprightness.

"There is nothing I would not do to prevent the adoption of protection by my native land," wrote a Canadian a few years ago to the present writer. In his Oxford days, said that correspondent, he was a Tariff Reformer, "but a few weeks' residence under protection converted me for ever, and I regard Chamberlain's Imperial Preference scheme as particularly pernicious." If free-trade England became protectionist England, much of the charm of the homeland would be gone for many of its far-off sons.

It is probable that the gradual departure of the Dominions from British policy, under the powers of self-government bestowed upon them, has only tended to strengthen the feelings of attachment and admiration of these far-off sons, for they see that the British door stands ever open, let whoever will shut theirs.

SOCIAL REFORM

It will be well for all who are interested in the great questions that we speak of as "social reforms," to know how closely the attainment of success is dependent on sound finance. It is also well to recognize that practically the whole of the advances made in this direction during the past century have been associated with free-traders and sound finance.

The late Sir Henry Parkes, the eminent Australian statesman, the "father" of Australian federation, and a very pronounced free-trader, in addressing a public meeting in Sydney (August 30, 1889) on the subject of free trade, said :

" I wish to make this challenge, and I wish to make it in the most definite, clear, and public manner I can. I challenge the other side who are opposing us in this country to cite the authority of a single friend of progress in the history of the last 130 years who has been a protectionist. Now, let there be no mistake about my challenge. I do not say there has been no great man a protectionist ; I do not say that there have not been men of splendid gifts protectionists. But what I do say is that there has been no man of broad, disinterested mind, of high faculties, and gifted with heroic powers—in short, with all the attributes of greatness, and bent on promoting the progress of the human race—who has been a protectionist."

To expect social reforms, the uplifting of the people, the good of humanity, to be promoted by schemes for enriching some and impoverishing others, or by racial or class hatred, would indicate a defiance of all experience or a complete

ignorance of the history and the movements of the past century. It seems reasonable to believe that just as financial favouritism is crushed out, so is sound finance promoted, and from sound finance flows ability to carry out great reforms.

If a single straw can show the way the wind blows, so the lack of sympathy in social reform on the part of the promoters of protection shows that these people are not moving in the direction of such reform, and that, spite of whatever they may say, neither their history nor political views suggest that social reformers have anything of real value to gain from them.

NOTES ON CUSTOMS DUTIES

THE existence within an essentially free-trade Empire of self-governing Dominions with protective tariffs makes it of vital importance that clear views should be held as to the effects of customs duties in the various interrelations. The notes of which this chapter is composed it is hoped will be helpful in this direction.

It has to be recognized that protection can be established at times by abolishing or reducing duties as well as by imposing or increasing them. Thus, if Britain were to abolish the excise duty on glucose, that would establish protection on the British-made. In a limited sense the British-made would be "freer," because it was freed from duty, but it would have become a protected industry.

In fixing the Commonwealth tariff some of the hardest fights took place on proposals by the free-traders to *raise* excise duties, with a view of reducing the protection arising from high customs and low excise rates.

In Canada in 1897 it was stoutly affirmed that the reduction of duties, confined to British goods, was a step in the direction of free trade: that it at once established "freer" trade. The contention was doubtless correct in regard to any commodities that were wholly of British production. But taking the changes as a whole it is easy enough to see now, some twenty years later, that what was established was a secondary form of protection, called preference, in the interest of the United Kingdom. The statement so confidently made and so widely accepted in 1897, that preference was a great step towards free trade, has long since ceased to be heard.

If we want to know whether any tariff proposal is protective, we have only to find out whether or no it establishes or supports differentiation of treatment. If it does this, then we know that it is protective; the opposite of free trade, which stands for equalization.

A free-trade policy requires that, if any duties have to be imposed, they shall be free from any differentiation. In India, it having become necessary to obtain revenue from cotton goods, a customs duty was imposed on the imported, and this was balanced by a corresponding excise duty on Indian machine-made cottons. Nothing more fair could be done as regards India. Yet the excise duty is opposed by various preferentialists. One writer describes the excise as an "altogether unnecessary and indefensible sop to Lancashire." * Another writer declares that in view of this excise it is "intolerable hypocrisy . . . pretending that India is governed fiscally in the interests of her own people." † These utterances are simply deplorable. It is only when injustice, clear and gross, to the people of India exists that language such as quoted can be forgiven. Belief in the absolute justice of Britain, in her unfaltering fairness, is the mainstay of British power in the East, and those who seek to destroy this belief are blameworthy indeed. Britain is gaining nothing by what has been done. British and Indian manufacturers are treated alike; there is no differentiation in favour of either one or the other.

The remarks quoted become all the more regrettable in view of the arrangement made with China, quoted, as follows, by Lord Inchcape, at the Imperial Conference of 1907:

"In the Convention of 1902 with China, at the request of Great Britain, the Chinese Government bound themselves to impose an excise duty on machine-made yarn and cloth manufactured in China, when they came to raise the import duties on the abolition of *likin*, so as to deprive the duties on these goods of any protective effect."

* M. de P. Webb, "India and the Empire" (1908), p. 157.

† R. Jebb, "The Imperial Conference" (1911), vol. ii, p. 220.

What was done in India was, therefore, in line with what was arranged with China.

It is needful to be careful in the use of the statistics of the financial results of protective tariff taxation. The official figures of the receipts from customs and excise duties, of course, only cover the moneys collected by the customs and excise authorities; they *exclude* every penny that is collected by the protected manufacturers and producers, which often reaches a sum that exceeds—very much so at times—the official collections. When, therefore, the official collections of a protectionist country are put forward as representing all the tariff taxation, a distinctly misleading view is created.

A mistake of an opposite character is sometimes made. It is assumed that if a certain commodity is subject to a duty of, say, 40 per cent. when imported, that if it be locally produced or manufactured the 40 per cent. is *always* paid thereon by the customer. This is not *necessarily* so. Whether it is paid or not is governed by certain conditions, the principal one of which depends on whether the duty is operative or inoperative, that is—to put it more sharply—live or dead. This condition is of the highest importance, especially in regard to preference, and should be well understood.

The customs tariffs of Canada, Germany, and France all include a duty on wheat. In Canada the duty does not increase the price; in Germany it does; in France it generally does, but sometimes does not. The explanation of these variations is very simple: in each case the position results from economic law. The duty is dead—that is, inoperative—or alive—that is, operative—just as the country concerned exports or imports.

Canada produces wheat largely in excess of its own consumption. The surplus is exported, hence the import duty is dead: it has no effect on the price.

Germany produces wheat much short of her requirements, and is an importer to the extent of the shortage. Hence the import duty is a live one—that is, it is paid on the imported

wheat and the amount added to the cost. The German farmer is then able, without having paid any duty, to obtain the value of his wheat *plus* the duty.

France grows a very large crop of wheat, but still generally needs to supplement it by importations, the result of the duty being then the same as in Germany. Occasionally, however, France has a harvest so abundant that she has enough and to spare : there are no imports, there may even be exports. When that is the case the position becomes like that in Canada, the duty is dead.

For many years now the United States has been the world's greatest exporter of wheat, the import duty of course being dead all the time. The internal consumption of the United States, however, has grown so great that it may not be long before, instead of exporting, the United States may have to import. If and when that time comes an import duty be reimposed (wheat was lately put on the free list), the duty will be a live one, and wheat will be correspondingly dear in the United States compared with Canada.

In 1903 Australia gave a striking object-lesson of both the effect of a duty and the difference in value between an importing and an exporting country, wheat generally selling at 9d. to 1s. a bushel less in Australia than in Europe, the duty on the tariff—1s. 6d. per cental—being quite inoperative. Consequent on a harvest failure, due to drought, wheat had to be imported. The effect was almost electrical. The dead duty became a live one, and instead of freight being a *minus* it became a *plus* quantity. Price rose 100 per cent. The fact of Australia being so remote from Europe, and even from the Pacific coast of America, brought out vividly the difference in price between an exporting and an importing country, and when a dead duty suddenly became a live one the entire result was startling. The next year a good harvest smashed the market, the 100 per cent. advance was lost, importers of unsold importations losing very heavily. The facts are not to be gainsaid nor their significance denied.

Importation of the commodity is the source of vitality in

an import duty, therefore when imports are flowing freely in there is no mistaking the fact that the duty is a live one. If there are no imports coming in, but exports are flowing freely out, there is no mistaking the fact that the import duty is dead and of no effect. But there are times when the position may be aptly described as "dead-alive," and yet this condition is as true to economic law as when there can be no doubt that a duty is either distinctly live or distinctly dead. It simply means that the forces tending to make the duty a live one are more or less balanced by the forces tending to make the duty a dead one, as, for instance, when in France it depends on the weather of the next few weeks as to whether or no any wheat will have to be imported; and then after the harvest is taken it may still remain in doubt as to whether there is a surplus or a deficiency, and it may only be when half-way towards the next harvest that the position becomes clear. If the stock of wheat is found to be undoubtedly short and imports absolutely necessary, then the duty becomes a live one; if, however, the stock proves to be large enough for all wants, then the duty becomes dead; probably to be brought to life again by the next harvest leaving a deficiency, as is generally the case.

DEAD PREFERENCES

It is in connexion with preference that enlightenment is most needed as to live and dead duties. Look at some duties. Take tea. In New Zealand this is free when from within the Empire, and subject to 2d. per lb. from foreign countries. New Zealand imports all her tea from India and Ceylon, giving them the advantage (?) of the preference of 2d. per lb. which, on the quantity imported, as a sum in arithmetic, amounts to more than £60,000. But India and Ceylon do not receive this money, no one does, for New Zealand does not pay it nor any part of it. The preference is as dead as possible. India and Ceylon produce between them about seventy times as much tea as the Dominion buys—that is, out of a production of 500,000,000 lb. New

Zealand buys 7. If the production were 5 instead of 500,000,000 lb. the preference would be a live one, because it would be well within the compass of the market.

The fact is that the production of tea within the Empire is now greater than the consuming power of the whole Empire, so that were the whole Empire made one preferential area for tea, the preference would be even then a dead one. At the Imperial Conference of 1907, Lord Inchcape (then Sir James Mackay), dealing with the subject of India and preference, said :

“Tea also has been suggested as a possible article for preferential treatment. But Indian and Ceylon teas have now a secure market, as the competition of China has ceased to be important. In a total import of 321,000,000 lb. of tea—mark these figures—into the United Kingdom, China is now represented by only 13,000,000 lb.”

India and Ceylon possess the trade of the whole Empire already. That is a position that has come about naturally and without tariff help of any kind. Lord Inchcape added :

“A reduction of the present duty in favour of all teas imported into the United Kingdom, without discrimination, would no doubt be of some importance to the Indian trade ; but that would have no connexion with a scheme of preferential tariffs. Whatever benefit might accrue to India and Ceylon from a reduction in their favour would be obtained, to an almost equal extent, from a reduction to the same amount made on all teas in accordance with the existing policy of the United Kingdom of remitting taxation when no longer required for revenue purposes.”

His Lordship saw, and quite correctly, that consumption would be encouraged if tea were lowered in price, as it would be if the duty were lessened, and that in that way the Indian and Ceylon industry would be encouraged. India and Ceylon already control the tea trade of the Empire. Preference could not give them what they already possess.

Sugar is another commodity in which a dead—or dead-alive—preference has been illustrated—that is, in the case of Canada and the British West Indies. Canada undoubtedly took a very warm interest in the prosperity of these sugar colonies, and hoped to help them by the preference on sugar embodied in her general scheme of preference. In 1898–99 and the following year the preference was equal to about 19s., from 1900–1 to about 25s. 4d., and from 1907 to 28s. 6d., all per ton of the class of sugar usually imported.

For the three years ending June 30, 1898, Canada imported from the British West Indies 14 per cent. of her total sugar-supplies. For the three following years, ending June 30, 1901, Canada obtained from the same sources only 11 per cent. of her total supplies. In the former period there was no preference, in the latter there was. The preference clearly was dead. In the two years ending June 30, 1903, the percentage of West Indian imports of sugar rose to 20, a material advance, but only making the average for the five years of preference 14 per cent., the same as for the three preceding years without preference.

What was the meaning of this remarkable indifference to the distinctly kindly intentions of Canada? When the Canada-West Indies Royal Commission were taking evidence (London, June 27, 1910), Sir Nevile Lubbock (answering Question 8097) said :

“ I think it is an axiom that where a preference is given to a commodity, if that commodity is largely in excess of the consumption the preference goes for nothing ; it merely acts as a reduction of duty all round.”

Substantially that was the reason of the preferential failure. The ship was too big for the dock.

With the years 1903–4 the position changed and Canada began buying the bulk of her supplies in the British West Indies and continued to do so, the leading factor in the change being the United States, which very largely reduced her purchases in the British West Indies, taking, under preference, from Porto Rico, the Philippines, and Cuba the

supplies needed. The American preference was a live one : the supplies were large, but the market was larger. Shortly before the war the United States, making large strides towards free trade, put sugar on the free list, which, opening up again the British West Indies to American trade, shows that the Canadian preference is only the dead one it has clearly been all the time.

Mr. Garvin * says, " There can be no political substitute for the unifying influence of preference." Evidently Mr. Garvin does not know how often his " unifying influence " is as dead as Julius Cæsar.

It is usual now in the Dominions which give preference to British goods for statements to be published indicating the aggregate amount of such preference ; thus " The Official Year-Book of Australia " says : " The actual amount of rebate allowed on United Kingdom goods entered for home consumption during 1913 . . . was £1,244,074." The statement, perfectly accurate no doubt as a matter of arithmetic, is yet distinctly inaccurate as a record of gain for Britain which it is assumed to be. This may be tested by reference to cotton and linen piece goods. Australia does not make these articles, which are therefore on the free list. When preference was adopted they remained on the free list, except that when from foreign countries 5 per cent. became payable. The United Kingdom has long dominated the trade in cottons and linens, the former specially, having about 90 per cent. of the Australian trade in 1907, when the preference was imposed. Since that date the British percentage has remained about the same, if anything a little less. Substantially the trade would be unaffected by the fact of a small duty having been imposed on foreign makes. The imports of British cottons and linens (four millions) in 1913 would account for about £200,000 of the " rebate," about one-sixth of the whole. Britain probably got no more and no less for her cottons and linens than she would have done had that preference not been imposed. In other words, the preference on cottons was practically a dead one.

* " The Empire and the Century " (1905), p. 133.

Scores of other items are in the same position. What is the ultimate advantage to British trade from preference in Australia there is no means of knowing. There is no doubt that taking the four Dominions together a large body of British trade is advantaged by preference, though the gain is nothing in the least approaching to what it is represented to be.

It does not follow, however, that the final results, even the economic alone, stand for British gain, for the interference with the natural course of commerce brings about unexpected results. The *political* results cannot be expected to strengthen Great Britain, for other countries do not like to be specially differentiated against. "Experience has shown that tariffs, even when they are unusually high, are borne without complaint when it is manifest that they apply to the whole world."* This expression of opinion by an able American may be disagreed with so far as it suggests absence of complaint against high tariffs provided they are of general effect, but there can only be complete approval of the view that so far as tariffs differentiate between country and country, so far do they provoke angry feelings.

Reciprocal preference would result in many absurdities; the exchange of live for dead advantages. One side might give rights in its market which might cost it much money, and receive in exchange rights in the other market which yielded nothing. "The rule should certainly work both ways," said a preferential enthusiast,† who assumed that if a duty be once imposed it must *necessarily* be a live one, whilst, as a matter of fact, it may often be a dead one.

It is interesting to compare some of the rates of duty existing in different parts of the Empire. Thus,

* "Modern Tariff Systems," vol. xlvii. House Documents, 57th Congress, U.S.A., 1901-2. The paragraph continues: "But if they seem to be directed exclusively against one country, reprisals are at once brought forth, and the consequences are disastrous for both countries." (The paper is a very valuable and exhaustive one.)

† Colonel Denison of Canada, "The Struggle for Imperial Unity" (1909), p. 329.

British cottons and woollens are subject to the following rates :

In	Cottons in the piece Per cent.	Cotton Clothing Per cent.	Woollens in the piece Per cent.	Woollen Clothing Per cent.
Canada .	25	25	30	30
Australia .	Free	44	33	44

Woollens are manufactured in both Canada and Australia, hence there are duties in both against British woollens. Cottons are manufactured in Canada, but not in Australia, hence there is a duty against British cottons only in the former. Australia is really more protectionist to-day than Canada, as may be judged by the relative duties on clothing. The free admission of cottons in the piece only means that the manufacture has not yet been started in Australia, a point to be noted by those who think the Dominions will maintain their present purchases.

REVENUE DUTIES

When revenue duties have to be imposed it is, of course, desirable to get the revenue by disturbing the least possible area of trade. This is one good reason why narcotics and stimulants are good mediums of taxation, especially as they readily yield from 100 to 300 per cent. The fact that they yield such great sums makes them of vital importance to the Treasury of a country. They are the very last duties with which experiments should be played. Ten or twenty per cent. on ordinary goods establishes substantial protection, but would not do so in regard to narcotics or stimulants. It is to be noted that again and again British protectionists have expressed a desire to relieve the British Treasury of part of the receipts of this taxation in the interests of certain industries.

Elsewhere it has been shown how greatly British enterprise and British labour profited by the abolition of the protectionist duties on sugar ; that a principle of the highest value was involved in this, viz. that the lower the price of

a commodity the greater the scope for both capital and labour. This principle applies, of course, to revenue as well as to protective duties, and free-traders, therefore, should seek to relieve trade of even revenue duties as fast as prudence will allow. In the Dominions the system of finance is very bad : reliance for revenue is placed on protective instead of revenue duties. The "slump" in receipts, therefore, in bad times in the past has been very severe, and cannot fail to be so whenever bad times return.

BRITAIN AND HER CHILDREN

The protectionists, who could not live a day if they were not skilled in "the art of putting things," are fond of saying that in trade Britain only treats her children as she treats strangers. But *how* does she treat their trade? And, then, how do they, the majority of them, treat hers?

"When they come to Britain they find an open door, and hear a voice say, 'Come in.'

"When Britain comes to them she finds a shut door and hears voices say, 'Stay out till you have paid our customs duties, which are intended to keep you out.'"

This presentation of the case may not be strictly accurate, but it has the merit of being at least as accurate as the other one.

NATURAL PROTECTION

Natural protection is a term which represents the advantage accruing to a country or a district from the cost of freight, etc., which has to be paid on the product of a competitive country or district. Thus : Australian wheat consumed in Britain is subject to freight, averaging, perhaps, ninepence a bushel, or six shillings a quarter. The British farmer, therefore, being on the spot, enjoys natural protection against the Australian to this amount, which, conversely, is a handicap to the Australian farmer so far as the British is concerned.

The woollen manufacturer who resides in Australia and makes woollens for the Australian market buys his wool on the spot at its lowest price. The British manufacturer who makes woollens to sell in Australia must pay for carrying the wool from Australia, or any other country, and also for carrying the woollens to Australia. The cost of all this is the natural protection enjoyed by the Australian manufacturer, and, conversely, is a handicap for the British manufacturer.

It is to be noted that it is never the man who suffers by the handicap, but the man who is enjoying natural protection, who is helped by tariff protection. The gains of tariff protection are not bestowed on the farmer in Australia, who fights for a market on the other side of the world, but they are bestowed on the manufacturer of woollens in Australia, whose competitor is handicapped by being on the other side of the world.

Who pays? If we want to know who pays the export cost of a commodity, or who pays the freight between the exporting and the importing country, or who pays the duty, if any, on landing, we only need to get into the swim of the world's commerce to find out.

For many years the world's main export market for both wheat and maize has been New York. During the whole of these years the New York price for the time being of neither wheat nor maize has ever been known to have been varied by reason of the country of destination, or of the freight to be paid to take it there, or of any duty or other charges after landing. A shipping firm will often buy in one contract, at one price, a quantity of grain which represents the aggregate of orders in hand for England with no duty, and other countries with duties, no two of them at the same rate.

Tens of millions of pounds weight of wool are sold at the Australian wool sales, all knocked down to the highest bidder, and then exported. It matters not to the seller whether wool goes to a country near or far off, whether it be at its destination admitted free or subject to duty.

In the big lines of manufactures the same principles necessarily rule. For steel rails, galvanized iron, cottons, woollens, the market price is ever paid, and the goods can be exported to any country under the sun, but for the charges—freight, duty, etc.—the buyer in the importing country is the responsible person.

When it is so easy to follow the course of trade, to trace the payers (1) of the free-on-board cost, (2) of the freight charges, (3) of the duty after landing, on the big lines of the world's commerce it is waste of time to worry over the trifling items, or the results that come about when there is some departure from the usage of a trade. It occasionally happens that an overstocked, or perhaps financially pressed, producer, to relieve his stock, or to raise money, ships goods to some foreign country to be sold for his account. But if that market be depressed, overstocked, a forced sale results badly, and then, of course, the sufferer is the man in the exporting country. He can produce his account sales to show that duty was deducted, forgetting that he had not ordered that the goods were to be sold "in bond," and knowing very well that had they been sold "in bond" the net result to himself would have been no better, since the buyer would have paid so much less price, and forgetting also—and this is the main point—that he had voluntarily placed himself in the position of the importer in the country to which he sent the goods.

A fall in the foreign value of a commodity may balance and hide the effect of an import duty. Thus, sugar which in bygone years used to be thought cheap at 40s. the cwt. fell and fell until in 1900 "First Mark, granulated," a standard sugar, was sold free on board in Hamburg at 12s. 6d., a price which by comparison with anything and everything before known in the trade was ridiculously low. Yet in 1902 the same sugar fell to 7s. 9d. per cwt. in Hamburg. Between these two dates, however, consequent on the Boer War, a duty on sugar was imposed in the United Kingdom, equal, on the class quoted, to 4s. 2d. per cwt. The fall in price, therefore, was balanced substantially by the duty.

The British public continued to buy their sugar at the same price and yet the Treasury received a very large revenue from sugar. But for the duty the retail price of good sugar would have fallen in England to one penny per pound and the large savings of the people would have bought other things or remained in their pockets. Anyway it is quite clear that the people paid the duty, though the retail price of sugar remained unaltered.

If men worry themselves about statistics, facts, and figures, which though in themselves correct and honest, yet have no direct bearing on this question of "who pays?" they may arrive at very wrong and misleading conclusions. It is singularly easy so far as Great Britain is concerned to trace the effect of duties. Any of the great co-operative societies, by referring to their trading accounts, could satisfy a doubtful man in about five minutes.

ROBBING THE PUBLIC TREASURY

The Public Treasury registers something more than the finances of a country, it largely registers and represents the moral strength of the community. The greater the moral strength the more resolutely and conscientiously will the finances be safeguarded; the more difficult will it be made for an individual or an interest to gain wealth at the public expense, and the more searching will be the light thrown on taxation proposals.

Taxation is never pleasant and is often hard to bear, but the taxpayer ought always to have reason to believe that the money he pays goes direct to the public Treasury.

THE POLITICAL AARON'S ROD

It is quite impossible to frame too emphatic a warning as to the serious results that would accrue to the work of the British Parliament should its time be spent, its energies frittered away, its ambitions debased, its prestige destroyed, by interminable controversies as to duties on the food that

is eaten, the clothes that are worn, and the things that are used. Before the war the pressure of public life was very severe, questions of the highest and most absorbing interest, often of the utmost gravity, were seldom absent, rather they crowded one another till consideration of some had to be delayed again and again.

The war has now opened a vista of a gravity exceeding anything yet known, all the best of the soul and brain of Britain will be called for by the force of circumstances. To now throw into political life an Aaron's rod in the form of a protective tariff would be a disaster indeed to the best and most vital interests of the people.

British people cannot—in their happy ignorance of the thing itself—imagine the possible evil consequences. Let them, therefore, read what that brilliant Australian, Mr. Deakin, himself a leading protectionist, said on the floor of the Victorian Legislative Assembly on June 27, 1895, when new tariff proposals were brought forward :

“ This introduces what I may, perhaps, without offence, call a tariff orgie on the floor of this Chamber—a confused battle of influences and interests in which, in many cases, the issue is determined by something very like a hazard of the die. It is impossible, when proposition is crowded on proposition, when amendment follows amendment, when one industry is dealt with after another to avoid the formation of alliances within this Chamber, whose members, acting, as they believe, in the public or in their common interest, sacrifice their personal views to a greater or lesser extent. The consequence is often utterly unsatisfactory.”

That Mr. Deakin was right in his forecast may be judged by the fact that the debates which then followed took nearly three thousand columns of the Victorian “ Hansard ” to record. Between 1883 and 1895 the Victorian tariff was revised no less than seven times. A protective tariff brings men and influences into the lobbies of Parliament, which ought at all hazards to be kept out, and the element of

personal gain introduces a feverishness into politics which also tends to lower the tone of public life. But, apart from this evil, the waste of precious hours—on the right use of which the honour, it might be the safety, of the country depended—would be heartbreaking.

“SCIENTIFIC” PROTECTIVE TARIFFS

[THE following is part of a paper prepared by the present writer, on request, for the International Free Trade Congress, which would have been held in Amsterdam in September 1914, but for the war.

The main object of the paper is to show (1) to how small an extent workers are interested in protective duties ; and (2) that capital, in one form or another, takes nearly as much out of the earnings of manufacturers as labour does. All the calculations are based on Australian official returns, and, therefore, represent only Australian conditions. But corresponding calculations for any other country are easily made on the returns of the country in question.]

A protective tariff is about the last thing on earth that a disinterested person would think of describing as “scientific” ; indeed, the combination of the terms “protection” and “scientific” seems to create a *reductio ad absurdum*.

This is how science is defined by Sir W. Hamilton :

“Science is a complement of cognitions having, in point of form, the character of logical perfection, and in point of matter, the character of real truth.”

A scientific protective tariff, therefore, must be marked by logical perfection and real truth. As a matter of fact there is not, never was, nor ever can be, such a tariff. To apply the term “scientific” in any way to the policy of protection is surely a foolish thing to do, for most certainly science, that is, real science, is, before our very eyes, gradually

smashing the policy of protection all to bits. Steam and electricity are bringing people together: protection would keep them apart. Science, after having harnessed steam and electricity to the car of human progress, is now fast mastering the secrets of aerial navigation, a triumph that will fill to the very brim the cup of disaster which protection is called on to drink. Indeed, unless the cause of humanity is put back by some world-wide catastrophe, science bids fair to make all protective tariffs speedily look very silly.

* * * * *

The reward of Labour is, and must ever remain, the central feature of tariff controversy. It is well to remember the historic fact that whilst wages have risen during the last hundred years, the cost of production has fallen. This decrease in cost, accompanied by an increase in individual wages, has, of course, been made possible, in the main, by machinery. With the fact itself every one is broadly familiar, yet very few people know, or have any idea of, how small, proportionately, is the Labour expenditure needful to turn raw material into manufactured commodities. Thus, in Australia, in 1912, the output of the whole of the industries, which are classed as manufacturing, was 148.8 millions sterling, in producing which the wages paid aggregated 31.3 millions, this percentage being only 21.03. If we follow this up we are soon face to face with unmistakable facts, throwing a flood of light on the Australian and other protective tariffs. In the first place, let us keep in mind that the invariable plea put forward for protective duties is "the poor working man," he is, first, the bait, and ultimately, the victim of "scientific" protection. "Duties must be placed on imported goods to provide wages for our own labour."

If we reckon the wages paid in other countries to be, on the average, only one-half those paid in Australia, then, *on the comparison of wages*, the outside manufacturer has an advantage of 50 per cent.; but when we remember that the wages represent only a little over one-fifth of the value of

the commodities, and distribute the advantage over the whole value, we find that the advantage of the outsider, after all, is only $10\frac{1}{2}$ per cent. Customs duties, of course, are levied on the whole value, and not on wages cost only. Going further, we find that, on the average, it costs more than 10 per cent. to bring goods to Australia, so this terrible-looking wage advantage disappears altogether.

Take £100 worth of boots. In Europe the wages cost in making these will be, perhaps, £20, all the rest (£80) being absorbed by raw materials, fuel, expenses, and profits of capital. You would think that if protection to the extent of 50 per cent. on the wages cost were given it would be generosity itself. But the tariff scientist asks for a duty on the whole value, and agrees to 35 per cent. thereon. However, when you come to reckon up you find that 35 per cent. on the value is equal to 175 per cent. on the wages cost. This is where the "scientific" touch comes in. In Australia 35 per cent. is the tariff rate, but the Australian tariff scientist is now asking for more. If he can get the rate up to the equivalent of 250 per cent. on the labour cost he will be satisfied till he has another "scientific" attack.

It is worth while comparing the wages cost in Australia in some industries with the amount of the protective duties against the imported articles. Whilst the average wages cost is 21.03 per cent., it is very much below this in some cases. Perhaps the most notable instance is "Milk, Preserved." The Australian wages cost equals about 5 per cent. and the duty payable on the imported article is equal to about 500 per cent. on this wages cost. In malt, wages equal about 7 per cent. of the product, and the duty on imported is again about 500 per cent. on the Australian wages cost. Spices and condiments, soap and candles, are also industries where the employment is light. Taking the three items, the duties levied on the imported equal, roughly, about 250 per cent. on the Australian wages cost. If the foreign wages cost in these several industries be only one-half of the Australian, then Australian duties equal 1000 and 500 per cent. respectively on the foreign wages cost. Here

we see "scientific" protection at its best, or its worst, and all the time "the poor working man" is both the bait and the dupe.

Whilst "the poor working man" is invariably the bait with which the plunder is caught, a little investigation shows that a very large proportion of it is absorbed by the employer, that is by capital. The division of the earnings between employees and employers, in Australia, in 1912, was as follows :

	£	Per cent.
Employees . . .	31,300,000	or 54.43
Employers . . .	26,200,000	or 45.57
<hr/>		
Total earnings . . .	£57,500,000	100.00

"Earnings" represent value added to cost of raw materials and fuel. The takings of capital, it will be seen, reached a very solid sum.

Some industries are worked with much capital and little labour, others with little capital and much labour. The earnings of an industry when the former is the case are often mainly absorbed by capital. The following table shows how wide the difference often is :

Division of Manufacturing Earnings

	Employers	Employees	Total
Boots and shoes . .	29.08	70.92	100.00
Soap and candles . .	72.49	27.51	100.00
All manufactures . .	45.57	54.43	100.00

The difference is very marked, but the cry of "the poor working man" is relied on all the time. In this Australia is probably only like other countries.

The tariff scientist is most conveniently blind on occasions. It does not matter how big the natural protection may be on any given commodity, it is seldom big enough for him to see it. Thus, the great products of Australia, like wool, tallow, leather, etc., are bought by the Australian manufacturer *minus* freight, whilst the overseas manufacturer

buys them *plus* freight. When both are manufacturing for the Australian consumer, the man overseas is greatly handicapped, but experience shows that this natural protection enjoyed by the Australian does not deter him from asking for tariff protection in addition. When articles are very bulky and values small this natural protection easily runs from 50 to 100 per cent. and more, on the whole cost, and hundreds per cent. on the mere labour cost. But there being none so blind as those who won't see, it is " scientific " not to see this natural protection, but, spite of the wealth this advantage brings, to still apply *in forma pauperis* for tariff assistance, " the poor working man," as ever, being dragged to the front.

It is " scientific " to know when to use the specific and when the *ad valorem* form of tariff protection. Sometimes, under the guise of the specific form, it is possible to get protection to such an amount that if it were openly expressed in the *ad valorem* equivalent the taxpayer would get a shock. It is found in Australia that a specific duty, *looking* quite modest, is often really the boldest of the bold.

It is " scientific " to get each one of, say, fifty sets of workers crying for power to bleed the others, and in the end all of them bleed together.

We should get some illuminating facts about protective duties and their effect on labour if it were made the rule to measure such duties by certain standards, and we should see how little labour stands to gain and how much to lose by such duties.

It is easy enough to measure an existing or a proposed duty by the wages cost. Look at these figures, based on £100 worth of goods in each case :

		Duties on the Cost of the Goods		
		10%	25%	50%
Wages Cost		Equal on Wages Cost to per cent.		
20	.	50	125	250
10	.	100	250	500
5	.	200	500	1000

This is an interesting table. If a £100 worth of goods, on which the wages cost stands at £10, be subject to £25 (25 per cent.) duty, the duty, it will be seen, is equal to 250 per cent. on the wages cost.

The tariff-assisted manufacturer is really too modest as to what he himself gets out of the lucky bag ; he prefers to talk about what labour gets out of it. His own interest as capitalist should be made clear. This is another direction in which a duty might usefully be measured ; this, of course, can be done by finding the respective shares of the earnings taken by capital and labour.

The various facts and arguments here put forward seem to indicate that labour is exploited, rather than protected, by tariffs. The great, ever-sufficient reply to protection that the more we import other people's goods the more we are able to export our own goods and employ our own labour, still stands unanswered and unanswerable. Here it has been attempted merely to expose somewhat the bad character of the creature called " Protection."

RAW MATERIALS AND MANUFACTURES

To many minds "manufactures" represent the final word in civilization, and "raw materials" only a state of society in a poor and early stage. It is a regrettable fallacy: one that results in much loss and suffering. Big tariffs are put on and defended on the ground, amongst others, that "the people do not want to be always condemned to the primitive industries"; that "they object to be mere hewers of wood and drawers of water"; that "it is not good enough to be only delvers and grubbers of raw material." Scores of such quotations could be given from the newer countries such as Canada and Australia.

At the Colonial Conference of 1907, whilst Lord Inchcape (then Sir James Mackay) was addressing the Conference on the subject of Indian trade (as the Conference Record shows), the words "raw materials" were twice interjected, first by the Prime Minister of Australia, and then by the Prime Minister of Natal. The obvious inference was that as the products of India were mainly raw materials they were entitled to less consideration than if they had been manufactures.

Every country has its raw materials, every country has its manufactures. This is true alike of young and of old countries. Where they vary is in the proportion of industry under each, and in the development reached in manufacturing. If we applied modern terms to ancient conditions then we should have to designate Noah as a manufacturer, because he built a ship known as the Ark. But under the term "manufacturing" a very wide range of industries is included, and no two countries are agreed in the list of

industries to be included, nor does there seem to be any reason why certain industries are excluded from the list whilst others are included. A man may build a thousand houses without coming into the official circle of manufacturing in which the builder of a ship finds himself. And yet if the house-builder makes his own nails; cuts wire up with a machine and the aid of two or three hands, he then becomes a manufacturer, not because he built, say, £300,000 worth of houses, but because he made, say, £1000 worth of nails.

The term "raw materials" is itself essentially raw, and it includes and excludes in a bewildering way. The United States Bureau of Statistics has substituted "crude" for "raw," but the result is little, if any, better. Thus, diamonds are statistically dealt with in the United States as follows: if "uncut" they are "crude materials for use in manufactures": if they are "cut" but not "set" they are "manufactures for further use in manufactures": and if they are cut and set they are "manufactures ready for consumption." The diamond illustration, of course, plays havoc with the idea, so skilfully used by those interested in big duties, that raw, or crude, materials are near the poverty-line.

Many a commodity which is the manufactured article of one industry is the raw material of another. The steel spring of a watch is a product of iron ore which has passed through one manufacturing stage after another, again and again it has been alternately a raw material and a manufacture, and even now, wonderful and costly as it is, it is but a material of the watchmaker. The American term "manufactures for further use in manufactures" is an improvement on "raw materials" in a case like watchsprings, but it matters little what term is used if people have a correct grasp of the business.

There is a certain amount of employment, and a certain amount of profit, in converting, say, a valuable commodity into a more valuable one. For instance, wool is valuable, but woollens are more valuable. In a wool-producing and exporting country the question is often asked, "Why

should we export our raw wool, why not manufacture it into woollens, and get the manufacturing as well as the producing profit? " Getting an extra profit is the idea at the back of the depreciation accorded to what is called raw material. But it is all a question of ways and means, the practicable and impracticable. A given number of people with a given amount of capital, making the best use of both people and capital, can only create a certain amount of wealth whatever industries they pursue.

If a man has an income of £100, or £1000, or £10,000, so long as it has been honestly earned, it makes no difference to him whether the income springs from raw materials or manufactures, or from both combined. However, the folly that lies at the back of the laudation of manufactures and the depreciation of raw materials is seen at once, when the fact is recognized, that the average conditions of life are better in the new countries where the production of raw materials is in the ascendant than in the old countries where manufacturing is in the ascendant.

THE CUMULATIVE EFFECTS OF THE WORLD'S RESTRICTIVE TARIFFS *

It is time that both free-traders and restrictionists gave attention to the world-effects of restrictive tariffs and to the cumulative effects of the restrictive tariffs of the world as a whole. We are accustomed to look for the results of any nation's tariff in the economic history of the country itself, but we are not accustomed to go beyond that and to study the world-aspect of one tariff or of all tariffs, though the latter consideration is of great and rapidly growing importance.

Consider that great commodity of commerce, wheat. When an importing country imposes a customs duty on wheat, we trace the effect of the duty on the price of both the domestic and the imported article, and proceed to think out the consequent result to the well-being of the people of that particular country: that is a comparatively small and wholly local aspect. Let us go now to the other extreme and look at the world-aspect—the cumulative effect of all the world's restrictive tariffs in regard to wheat.

It is obvious that many countries need large and increasing supplies, and it is also obvious that many other countries are in a position to produce largely increased quantities. The position seems mutually satisfactory, and would be so but that Man thinks he can improve on Nature. In most of the countries that need supplies tariff impediments are put in the way of the supplies being imported, whilst in the other countries tariff legislation tends, not openly but still effec-

* This is from a paper by the present writer read at the International Free Trade Congress held in Antwerp in August 1910.

tively, to limit production. By the glamour of state aid to manufacturing industries a certain proportion of the capital and labour of great wheat-producing countries, like Canada, have been attracted from farming and pastoral pursuits to the manufacturing. So far as this policy has succeeded so far has it necessarily lessened the production of foodstuffs, perhaps specially of wheat. When an attempt is made to reckon up the cumulative effect of this discouragement of wheat production, which exists in so many different countries, it is not too much to say that the result indicates a blow at, a sin against, humanity. This is a world-aspect of the effects of restrictive tariffs, and it affords a clue to some portion of the increase in the cost of living, a subject now compelling attention far and wide.

Let us look back. It was only during the nineteenth century that Europe became unequal to the task of providing food for her own population. The century which began with an aggregate European population of 175 millions ended with one of 400 millions. This colossal increase in the numbers of consumers gradually brought into play all the latent productive powers of Europe, and as the limit was reached, whilst population still grew, the outside world had to be drawn upon. It is not too much to say that an increase to-day of 5 millions in the population of Europe means a greater necessity for the importation of food from outside Europe than did an increase of 50 millions a century ago. Indeed this scarcely puts the truth strongly enough—for the fact is that a century ago Europe could, and did, herself supply the food needs of all of her people, however great the increase, simply because she still possessed a margin of greater possible production. In the new countries were millions of acres of virgin soil and untold possibilities of food production: in Europe were millions of mouths to be filled, and backs to be clothed, offering ample scope and reward for production. An impressive fact is the way in which science facilitated, it might be said made possible, the gigantic commerce that the increase of the people called for: steam, electricity, refrigeration, all helped. The one pitiable

feature has been tariff legislation based on selfish and ignorant views. It is clear that but for such legislation the world-supply of food would be greater to-day than it is, that prices would be more moderate, and that a greater abundance would be found on the tables of the people.

"If we might awake to-morrow to find that by some miracle the whole of the world's tariff restrictions had been swept away and that industry was everywhere pursuing natural opportunities, then the world's records would also report enlarged supplies of wheat and cheaper bread—a decrease in the cost of living. Wheat producers would find themselves quite as well off with lower prices for wheat, since the burdens of restrictive tariffs, which they carried, would be gone also, so that there would be an all-round decrease in the cost of living.

Can it be doubted that by reason of the existence of numerous restrictive tariffs, having the effect of discouraging agriculture, the production of wheat is restricted and that the world-price is thereby enhanced? This is a world—a cumulative—effect of restriction and the people of free-trade Great Britain have to bear much of the burden, but they wisely do not add to it, as the people of Germany do, the further burden of a local duty.

At the time when Adam Smith wrote the "Wealth of Nations" it was possible for there to be a scarcity of wheat in one country and a glut in another—without either country knowing the position of the other, until it was too late to profit by the knowledge. To-day the world's supplies of wheat are practically pooled, and experts make it their business to make known what the world-stock amounts to, and what are the expected yields of the coming harvests. The world's price—there is a world-price—reflects the world's stocks and expectations, varying, as they vary, almost from day to day. This means that to-day, as never in the old times, the value of wheat is affected all the world over by a shortage in the production in any one country, much more if there be a shortage in many countries; and undoubtedly at present in quite a number of countries there is, as

already shown, consequent upon the burdens thrown upon agriculture and the attractions of state aid in other industries, a smaller production than there otherwise would be, and the world is paying for the blunder. What has occurred in connexion with wheat has occurred in connexion with very many other commodities. The time is coming when the world must look the position in the face. The interdependence of the nations is daily becoming greater. Tariffs obviously fail to stop commerce, they just pile up burdens which by reason of their weight are likely before long to cause a loud and growing outcry against the system which hurts all round. The cumulative effect of tariff restriction must be faced.

PART II

THE PREFERENTIAL
DELUSION

THE PREFERENTIAL DELUSION

THE war has had one happy result—it has shown how ungrounded were the fears of a number of people that the Empire would come to an end if the different parts of it were not speedily fastened together with reciprocity nails. “The crimson thread of kinship,” of which Sir Henry Parkes spoke; “The tie of the heart,” referred to by Goldwin Smith—were all very well in their way, but they did not, it was said, make it possible to dispense with those nails. The alarm was of an acute character if judged from the following utterances :

(1) By the Tariff Reform League (October 30, 1911) :

“The choice before the United Kingdom at the present time is . . . not a simple choice between free trade on the one hand and preference on the other, but between the adoption of Empire reciprocity and the break-up of our existing commercial and Imperial relations.

(2) By Cecil Rhodes :

“Can we invent some tie with our Mother Country that will prevent separation ? ” *

(3) By Mr. J. L. Garvin :

“If we give exactly the same support to the Argentine Republic as we do to the Australian Commonwealth, upon what intelligible principle do we expect that Australia shall make special sacrifice to help us ? For sentiment ? Armaments are not created nor wars waged for sentiment. Were the colonies prepared to tax themselves for Imperial purposes,

* Letter to Sir John Macdonald, May 8, 1891. “Life of Rhodes,” by Sir Lewis Michell, vol. ii, pp. 29-30.

to fight under the Imperial flag, for reasons no more urgent than those of sentiment, they would not be patriotic, but insane. Do we expect the colonies, then, to combine with us for the joint defence of equally vital interests—for the maintenance of the whole vast maritime Commonwealth in whose undiminished and increasing power resides the sole security of its confederate nationalities and fiefs? "

(4) By Percy and Archibald Hurd, the "New Empire Partnership" (1915), p. 22, referring to the war-work of the Dominions :

"A year before, if any one had prophesied that our kith and kin would stand by us, offering their manhood and their treasure in fighting against Germany, he would have been regarded as a false prophet."

At the back of the utterances that have been quoted, and all similar ones, there is a denial of equality. An Englishman would feel insulted if it were suggested that he would not "stand by," say, the New Zealand part of the Empire, if war threatened thereabout, and the suggestion that the New-Zealander needed to be wheedled or bought before he would "stand by" the Motherland, or that he "would be insane" to do so for mere sentiment are equally insulting to the New-Zealander. The New-Zealander thinks himself to be—and he is—as much a citizen of the British Empire as any Englishman; he is proud to fight by the side of the Englishman, but he fights as with a brother for the safety and the honour of the whole family.

The four extracts are but samples of scores and scores of similar assertions all declaring that the Empire was being wrecked for want of the reciprocity nails. The quotation from the Tariff Reform League is the last sentence in an article appearing with the scare heading, "New and critical stage in British Imperial relations." This was less than three years before the outbreak of the war. It is difficult to find words to sufficiently condemn language such as referred to, and no greater proof could be given of the

essential unity of the Empire than the fact that its varying parts have treated with contempt the incitements to discontent and to disunion in which a number of public men have indulged.

It is time now to trace the rise and growth of this delusion called preference or reciprocity, to show from what it has sprung, on what it has fed, and the purposes for which it has been, and is being, used.

It may be taken for granted that, the United Kingdom having adopted free trade and given powers of self-government to the big colonies, when this power was used as a weapon of offence against the trade of the United Kingdom many colonists must have felt keenly disturbed, especially in Canada, owing to its comparative nearness to the Motherland, and the consequent quicker exchange of information and opinion. Naturally many Canadians, and perhaps specially late-comers, would disapprove of the attack on British goods. It is quite certain that the existence of this feeling tended to check the tendency towards protection, and it is also certain that keen-witted protectionist manufacturers saw a danger to their movements in this feeling, and thought that in reciprocity there existed a means of meeting it.

Reciprocity, in truth, instead of being a whole-souled Empire-cementing effort, was really a tool by the use of which the sordid and selfish interests of the local manufacturer were to be promoted. First in Canada, later in Australia, the protectionist manufacturer cried, "Up with the British flag, and down with British goods." So far they have certainly made money out of the cry.

There was another trouble. British manufacturers and merchants, who, in the old days, had been accustomed to have Canada reserved for their trade, were surprised and indignant when they found obstacles were being put in their way. For nearly forty years protests were sent to Canada by British manufacturers: Glasgow seems to have been specially active in this direction. The British Government were appealed to, though they at first replied expressing

regret at what was being done in Canada, they were true to their position, and said that Canada, having been given self-government, must be left to follow its own inclinations. The British attitude, both that of the Government and of the business men, would be sure to appeal to that love of fair play which is never wholly absent in a British community. Here was another reason for talking reciprocity.

Criticism on what was being done in Canada was fairly active across the border. Thus Carnegie * in 1886 wrote :

" It is to the credit of Britain that she now sees how futile is the attempt to extend commerce through colonization, or to interfere with the internal affairs of her children. She permits them to foster what they please, to trade freely with all nations upon any terms the colonies fix for her own trade with them. True, it must be said that her offspring are not very grateful children. They turn against their mother with surprising harshness."

Possibly it may be thought that Mr. Carnegie, with his pockets bulging with the proceeds of American protection, speaking thus, is somewhat like Satan reproving sin ; so, to what he says, may be added an extract from the *New York Evening Post* : †

" They have known how to clothe self-seeking in the fine garments of love of country, and to make a vast system of social demoralization and political corruption wear an altruistic appearance. Their phrases have deceived the people, and enriched the beneficiaries of the tariff."

Pungent criticisms such as these would make the Canadian protectionists alive to the usefulness of " the flag," if it could be made to cover their attack on what the flag itself represented.

When these various considerations are duly weighed, it will be recognized how possible, nay, how easy, it was for

* "Triumphant Democracy" (1886), p. 110.

† Porritt, "Sixty Years of Protection in Canada" (1908), p. 265.

this delusion of Empire preference to come into existence, even though it had no real root in the thoughts and interests of the people. As a delusion that has taken in a great many people it will assuredly rank high. It has been a tool and a plaything for self-seekers and politicians, and has been pushed forward, at times, in ways that will not bear examination.

It is customary to treat public matters of gravity and importance with most scrupulous exactness, and in proportion to their gravity and importance is the necessity recognized of safeguarding them from careless mistakes, and from any risk of their being sprung without notice on a representative gathering. Now let us examine the record of the Ottawa Conference of 1894.

The early 'nineties had been marked by severe and disastrous depression, and the Canadian Government in 1893 had sent Sir Mackenzie Bowell to Australia with the view of promoting an extension of trade between Canada and the Australasian colonies. It was thought desirable to hold a conference in Canada to further this object, and the Ottawa gathering was the result. Australia was not then federated, and the respective colonies were represented by their own delegates. Canada invited the Cape and Newfoundland to take part. Lord Jersey represented the British Government, but "merely as an observer, the Conference being strictly intercolonial." *

The Conference opened June 28, and the opening was thus described by *The Times* :

"Ottawa, June 28. The Intercolonial Conference opened to-day with all the impressiveness which could be given it by the Government and Parliament of the Dominion."

To the surprise of some, at least, of the delegates the Conference found itself called upon to discuss resolutions in favour of reciprocal preference within the Empire. "In the debate which took place upon these resolutions, the delegates became divided into those who thought it the duty of the

* *The Times* leader, July 9, 1894.

Mother Country to treat her colonies in matters of trade better than she treats foreign countries, and those who were of opinion that the Conference was exceeding its functions, and calling upon England to do that which she could not do without an alteration of her fiscal policy." *

The criticism led to the resolutions being modified, and they were then as follows :

" (1) That this Conference records its belief in the advisability of a customs arrangement between Great Britain and her colonies, by which trade within the Empire may be placed on a more favourable footing than that which is carried on in foreign countries."

" (2) That until the Mother Country can see her way to enter into a customs arrangement with her colonies, it is desirable that, when empowered to do so, the colonies of Great Britain, or such of them as may be disposed to accede to this view, take steps to place each other's products, in whole or in part, on a more favoured customs basis than is accorded to the like products of foreign countries."

The first resolution was carried by five votes to three, and the second without division.

The division that took place was as follows :

Ayes	Noes
Canada	New South Wales
Tasmania	New Zealand
Cape of Good Hope	Queensland
South Australia	
Victoria	

Sir Francis Suttor (in his Report to the New South Wales Government, p. 16) said :

" I was prepared, I stated in the debate, to listen to and most favourably consider any proposal of a practical nature likely to improve the trade of the Australasian

* Report of Hon. F. B. Suttor, Delegate of New South Wales, p. 15.

Colonies with Canada, and that and the laying of the proposed cable were, as I understood, the objects for which the Conference had been convened ; but I declined to do anything that would commit the colony I represented to a proposal unmentioned until put before the Conference, of doubtful advantage even if practicable, and quite impracticable, I considered, in view of the nature of the trade and commerce carried on by Great Britain with the world."

Sir Francis Suttor's outspoken criticism was all the more notable from the fact that personally he was one of the leading protectionists of the colony he represented. New South Wales had always been the leading free-trade colony in Australia, and Sir Francis could not honourably, and did not, take the unfair advantage of an unexpected opportunity that he might have done. Whilst a fighter for protection in Australia, he was shocked at the attack on the policy of Great Britain. How widespread and strong this feeling is right through the Empire ought to be recognized by now. It may be said that the official notification of his appointment as delegate to the Conference merely stated that Sir Francis was sent "to consider cable communication and other subjects of common interest."

That resolutions of such gravity and far-reaching importance should have been sprung on the Conference is enough to show that those responsible for them were, in fact, making playthings of edged tools. There are very strong reasons for believing that the resolution carried on division would have been defeated had it been known that it was to be proposed, for then the delegates would have come both prepared and instructed. (1) Tasmania did not send a delegate, but empowered one of the three Victorian delegates to represent her. (2) Western Australia was not represented. (3) Newfoundland was not represented, having declined the invitation. Victoria was the one strongly protectionist colony, and the chance that gave her the representation of Tasmania, a colony strongly inclined to free trade, was probably responsible for carrying the resolu-

tion. Had a Tasmanian represented Tasmania his vote would almost certainly have gone with the Noes, and a tie would have resulted. At any rate, the circumstances surrounding the debate and the vote, together with the importance of the minority, and the fact that Great Britain did not vote, will be remembered by any one who desires to understand what the Ottawa Conference really stood for.

The Report to the New Zealand Government showed that their delegate, Mr. Lee Smith, held it was a perfectly untenable position to expect Great Britain to impose penalizing duties against the rest of the world for the sake of the Self-governing Dominions and their 15 per cent. trade, and so he (with the New South Wales and Queensland delegates) opposed.

After the close of the Conference *The Times* in a leader (July 9, 1894), after expressing some sympathy with the resolution, said :

“ Whether the customs arrangements suggested would meet all the requirements of the case is a different matter. Anything in the nature of differential duties is contrary to our traditions, and we must remember that, as we pointed out in a recent article, the colonies—excluding India, the Straits Settlements, and Hong-Kong—represent only about 15 per cent. of the total trade of the United Kingdom. But, undoubtedly, for good or evil, the step taken by the Conference has immense importance for the future of the Empire.”

The Age of Melbourne, the leading protectionist journal of Australia (July 13, 1894), said :

“ Mr. Foster, the Canadian Minister of Finance, has a keen eye to any advantage to be gained in the markets of the United Kingdom over the great Republican Competitor.

“ *The Times*, the *Standard*, the *Daily Chronicle*, all emphasize *London* opinion that the theories of the Con-

ference are incompatible with English interests in existing circumstances."

Mr. Jebb,* while admitting that the resolution carried by the Conference "was not strictly within the scope of the Conference," says that "there was no serious opposition on that account." It was not "serious" that New South Wales, New Zealand, and Queensland voted against it, and it clearly was not "serious" that a resolution "not strictly within the scope of the Conference" on a matter of this gravity was sprung on the unprepared delegates. But as we proceed with the history of preference it will be found that setback after setback has occurred, opposition has developed here and developed there, yet to ignore it all has been the order of the day. To admit that serious opposition was "serious" has always been avoided. One may wade through the whole voluminous literature of preference without finding recognition of the objections and opposition that have developed. The plan has always been to represent preference as one big spontaneous movement springing from the hearts of the widespread British race, whilst all the time there was a growing severance between the people themselves and those to whom flag-waving had become a fine art. To turn the policy of Great Britain upside down and construct a warring Empire out of a peaceful one was not "serious."

How little the people—the Canadians themselves—were at the back of the Government that promoted the Ottawa Conference, or at the back of those unexpected resolutions sprung on the surprised delegates, can be seen from the fact that within two years, on an appeal to the people, the Government was thrown out of office.

The protective policy was inaugurated in Canada in 1879, so that by the 'nineties the Canadians had had time to find out what it could do. The result was not satisfactory, and a growing free-trade effort to destroy protection culminated in a great free-trade Convention held in Ottawa in 1893.

* "The Imperial Conference" (1911), vol. i, p. 181.

The Times (June 22, 1893) thus described the gathering, under the heading of "The Canadian Liberals and Free Trade":

"Ottawa, June 21. The Liberal Convention which is now being held in this city is the greatest party gathering ever known in the Dominion. Its principal object is to perfect party organization, and to agree upon a platform to present to the people at the next general election. Nearly 2000 delegates are in attendance, many of whom have come distances of more than 1000 miles in order to be present at the Convention.

"Sir Wilfrid Laurier speaking, said:

"I submit to you that the ideal fiscal system is the British system of free trade. . . . I am sorry to say, however, that the circumstances of the country cannot admit at present of that policy in its entirety, but I propose to you that from this day henceforward it should be the goal to which we aspire. I propose to you, although we cannot adopt the policy itself, to adopt the principle which regulates it—that is to say, that though it may be our misfortune for many years to come to have to raise a revenue by customs duties, these duties shall be levied only as far as is necessary to carry on the business of the Government. Not a cent should be extracted from the pockets of the people except on the condition that every cent goes into the Treasury of the people, and not into the pockets of anybody else. I submit to you that a duty should never be levied for protection's sake, but levied for the sole purpose of filling the Treasury to the limits required.

"Let it be well understood, then, that from this moment we have a distinct issue with the party in power. Their ideal is protection; our ideal is free trade. Their immediate object is protection; ours a tariff for revenue and for revenue only, upon this issue we engage in the battle.' (From 'Our Correspondent.')"

The policy outlined by Sir Wilfrid Laurier was embodied in a series of resolutions by the Convention, and was, in

1896, accepted by the people of Canada at a general election, Sir Wilfrid himself becoming the Prime Minister, having defeated the Ministry responsible for the preferential resolutions of the 1894 Conference.

The course now seemed clear for great free-trade legislation. The outlook was indeed bright. In Australia, the Mother Colony, New South Wales, always free trade, had just had a sweeping free-trade victory at the polls, and under the guidance of Sir George Reid had adopted about the freest tariff the world had ever seen, and had transferred to land and income the burden of making good the lost revenue. With Canada—federated Canada—following up the mandate of the electors, and preparing for fiscal legislation on British lines, there was some ground for hoping that before long we might have seen the British Empire united on free-trade lines, and helping humanity at large to a better future.

But something went wrong, how far wrong few can ever estimate. On April 22, 1897, the new tariff measure was introduced into the Canadian Parliament—and, substantially, it was the old one with regard to about 70 per cent. of the imports; whilst with regard to the remaining 30 per cent., because they were British some reduction was to be made in the amount of the duty, a one-sided preference in favour of the United Kingdom was established. That was the outcome of the Canadian tariff of 1897 from which so much had been expected and which had potential possibilities of an infinite character.

“A more astute stroke of party politics has never been devised; but it meant, as is now apparent, the betrayal of the free-trade future of Canada,”

says Mr. Hobson,* whilst Mr. Jebb† refers to it as the “stealing” of the preference policy of the Opposition, and glories in it as a triumph for preference, which it undoubtedly was.

* J. A. Hobson, “Canada To-day” (1906), p. 38.

† “The Imperial Conference” (1911), vol. i, p. 185.

Colonel Denison,* referring to later speeches by Sir Wilfrid Laurier, said that he

“upheld abstract theories of free trade and with considerable skill succeeded in allaying the hostility of the free-trade element.”

The “*Encyclopædia Britannica*,” in its article on “Canada,” says :

“Protection became the settled policy of the country. On their accession to power in 1896 it was adopted by the Liberals, who joined to it a preference for the products of the Mother Country.”

Sir Wilfrid Laurier and his Cabinet defended the course they had taken with great courage, contending that they were promoting freer trade with the United Kingdom, and were in fact taking the first step towards general free trade. Sir Richard Cartwright, the Minister for Trade and Commerce, who for years had fought for free trade with ability and eloquence, addressing the Canadian House of Commons, said † :

“I think that it will be found that in the passage of that tariff we have at one and the same time rung the death-knell of protection, and rung in the chance of federating the Empire on a solid and secure basis.”

This period of Canadian—of Empire—history is full of interest, and looking back upon it to-day it is more easy to see where mistakes were made, than, apparently, it was easy to recognize them at the time. At any rate, it is clear the impression did prevail that what had been done was a first step in free trade for Canada ; the earnestness, character, and position of the men who said they were working for free trade, together with the fact of some reductions of duty having been made, combined to secure much free-trade approval for what had been done.

* “The Struggle for Imperial Unity” (1909), p. 230.

† “Hansard,” April 26, 1897, p. 1256.

Sir Wilfrid Laurier was in London attending the Queen's Diamond Jubilee Conference a few months after the introduction of the tariff, and the Cobden Club gold medal was bestowed upon him for free-trade work. The presentation was made by Lord Farrer,* who in the course of his speech said: "You make, yourselves, as large a step in the direction of free trade as your present circumstances will permit, and you desire to treat the rest of the world as you are now treating us." Sir Wilfrid Laurier said in reply:

"... In Canada we have had the protection system, and we have to deal with it gradually and carefully. The only reform of a permanent character we have achieved is this—that no duty shall be levied simply for protection but only for revenue. Further than that we cannot go at this moment. But the principle is laid down upon which larger measures can proceed. We may all admit that the dream of freedom as advocated by the great man whose image I have now before me has not been realized. But that freedom cannot, will not, come at one fell swoop. Now that a second country—Canada—has adopted freedom of trade, I hope and believe as her guiding star, other countries may follow, and probably we may expect that all countries issued from England will one after another follow her example. . . . There are parties who hope to maintain the British Empire upon lines of restricted trade. If the British Empire is to be maintained it can only be upon the most absolute freedom, political and commercial. In building up this great Empire, to deviate from the principle of freedom will be to so much weaken the ties and the bonds which now bind it together. The more the Empire is free the stronger it will be. The day will never come, I hope, when the great principle of freedom which prevails in this country, which England has promulgated all through the world, especially through her colonies—freedom in thought, freedom in religion, civil freedom, and freedom of trade—the

* Lord Farrer's full speech is not essential just here, but, being explanatory of the Club's reasons for the presentation, it is printed as Appendix. VI., p. 232.

day will never come when this great principle will decline. These were my own views before leaving my own country. Everything I have seen confirms them still more." *

A more emphatic endorsement of free-trade principles than this of Sir Wilfrid Laurier's could scarcely be uttered. It is safe to say that the personal element, combined with the goodwill of Britain to Canada and of Canada to Britain, led to a large acceptance at their face value of the assertions that Canada was taking a step towards free trade, and that, as Lord Farrer said, it was intended to treat the rest of the world as Britain was then being treated. Now, in 1916, nineteen years later, judging only by what has been done, and not by what was intended or said, it is clear enough that preference has become a buttress of protection, and, as such, a distinct Empire danger. (The fiscal effect of these duties is dealt with in another part of this book.)

In Canada there remains great unrest about the tariff. The farming interest, which is now growing fast and sending Canada ahead at a great pace, becomes more and more conscious of its power, and is resolute in demanding relief from the burden of supporting other industries. This was made clear in the gathering of some 800 farmers in Ottawa at the end of 1910, and by further movements since. It seems probable that the moment the farmers of Canada recognize that preference is not an Empire bulwark, but an Empire danger, they will assert themselves and sweep away the whole fabric of protection.

One wonders whether, looking back, Sir Wilfrid is not conscious of having made a colossal mistake, whether he does not wish that, having had the ball at his foot, he had kicked the free-trade goal as Reid had at the time just done in New South Wales. One would like to know what he thinks of the fact that since 1897 the tariff changes Canada has made have been mainly in the direction of more protection; and, further, what he thinks of the fact that Australia, New Zealand, and South Africa have all moved protection-

* *Times* report, August 17, 1897.

wards since 1897; and yet further, what he thinks of the preferential movement which he inaugurated having become "the backbone of Tariff Reform" * in the Mother Country in which he had hoped "the day would never come when this great principle (free trade) will decline."

There seems, however, to be something more than doubt as to where Sir Wilfrid Laurier really stands to-day in the tariff controversy. At the Imperial Conference of 1907 he is reported (p. 408 of the Report) to have said :

"If it were possible for us to have a system of free trade over the whole British Empire, and a customs cordon around the British Empire, for my part I would accept this as the very ideal of what the British Empire ought to be. I have expressed the opinion more than once, and I will express it again." †

Sir Robert Giffen, speaking December 1897, referred to "the recent stroke of Sir Wilfrid Laurier and his colleagues" as a "free-trade success," thus, at the time, taking the view held by so many free-traders, but it is to be noticed that in 1902 Sir Robert said :

"Reciprocal or preferential arrangements between the Mother Country and the colonies are . . . most dangerous economically and politically. . . . While the advocates of commercial union, as a means of Imperial Federation, have thus mistaken their way, and suggested measures that are either impossible, or will defeat the object aimed at, the advocacy itself has been hardly less mischievous. The cause of federation of the Empire has come to be identified with a policy of protection until adherents of a free-trade policy are almost under compulsion to choose between the abandonment of their ideas and the promotion of Imperial Federation itself." ‡

The "mischievous advocacy" to which Sir Robert Giffen called attention in 1902 has been increasingly in evidence

* *Tariff Reform Monthly Notes*, October 1911 (Mr. Chaplin, M.P.).

† Jebb's "Imperial Conference," vol. ii, p. 251.

‡ Giffen, "Essays," vol. ii, p. 397.

since that time. It is, of course, based on the selfish instincts which underlie protection. It has to be met, attacked, and destroyed, and this can be done by showing that the Empire would be weakened and not strengthened by a policy of commercial world-defiance.

TARIFF PREFERENCES

(1) RECIPROCAL, (2) ONE-SIDED

Tariff preferences have been, and are, practically everywhere reciprocal, that is, they have represented in the past and represent to-day either agreement between country and country or arrangement governing trade relations between a country and its colonies. "Preference to Colonies"* gives in detail the preferences of France, Germany, Spain, and the United States, and shows that the policy of each country is to give and to take. Each country gives advantages to the products of its colonies, and exacts from its colonies advantages for its own goods. With regard to Holland the remark is made: "No preference as regards customs treatment is accorded by Holland to the produce of its colonies, or by the Dutch colonies to the produce of the Mother Country."

Until 1897, when Canada suddenly and unexpectedly established a one-sided preference, advocacy had seldom been heard of anything but reciprocal preference in relation to the British Empire. One-sided preference has been given by other parts of the Empire since Canada gave it, but everywhere, even in Canada itself, there is more or less discontent with the position and openly expressed desire that the present one-sided preference should become reciprocal.

Any one who wishes to understand all that preference stands for must, at the outset, distinguish between the reciprocal and the one-sided. The distinction will be found to be carefully made in what follows.

* "British Papers" (1909), vol. lix, p. 317.

RECIPROCAL PREFERENCES

(I) CANADA AND AUSTRALIA

If we want to find out what preference can do, we had better begin by finding out what it has done at what are supposed to be the headquarters of preferentialism.

The Ottawa Conference of 1894 decided that it was desirable for the British colonies to give preference to each other as against foreign countries.* In view of the fact that "the correspondence and negotiations that led up to the Conference had been practically confined to Canada and Australasia," † it is natural to look first for what has been done by Canada and Australia, between themselves, remembering that from 1894 up to the end of 1900 Australia consisted of six separate colonies, and that from the first day of January 1901 the six colonies became federated as the Commonwealth of Australia.

The Canadian "Order in Council" approving the suggestion of the Conference speaks of it as relating to "trade and cable communication *between Canada and Australia*," ‡ so that no shadow of doubt exists as to either (1) the object of the Conference or (2) those it was intended to bring together.

Canada and Australia are the most important Dominions, or, may we not say, Sister Nations, of Great Britain, and if there had been in the 'nineties any keen desire in these Sister Nations for a system of reciprocal preferences throughout the Empire, then, surely, Canada and Australia could have been relied on to convert their faith into works by a reciprocal treaty between themselves.

* The Resolution, in full, was as follows: "That until the Mother Country can see her way to enter into a customs arrangement with her Colonies it is desirable that, when empowered to do so, the Colonies of Great Britain, or such of them as may be disposed to accede to this view, take steps to place each other's products, in whole or in part, on a more favoured customs basis than is accorded to the like products of foreign countries."

† From Lord Jersey's Report to the Colonial Office.

‡ Report (Canadian) Ottawa Conference, Appendix "A."

The present writer has never seen in Australia any sign of eagerness for preference, and with regard to Canada Mr. J. A. Hobson says, "The ordinary Canadian neither knows nor cares about the preference," * and Mr. Foster Fraser says, "Whatever be the preference in trade he (the Canadian) will give to articles of British make, he does not intend that preference to be sufficiently large to let in British goods to the detriment of Canada." † Let, therefore, the two countries be judged by what they have done between themselves.

It may also be profitably borne in mind that at the time of the Ottawa Conference a depression of a most grave character existed throughout the world, and was specially marked in Canada and Australia, and that this depression did not finally disappear for some years. This, then, was a period when it was distinctly the interest of every part of the Empire to seize upon any sound prospect of relief.

What happened? With how many of the six Australian colonies had Canada made reciprocal preferential treaties when Australian federation came about in 1901? *Not with one of them*; nor had any one of the six, or even Canada itself, shown any eagerness for such treaties. Had this apathy been due to the fact that federation was "in the air," and that the matter was purposely left alone for the Australian Federal Parliament to deal with, when it came into existence, then with the opening of that Parliament the subject would have come to the front: quietly if the people were only moderately in love with preference, with a rush had they been keen for it. As a matter of fact, preference between Canada and Australia was given the cold shoulder. It did not form a plank in the platform of any party; and the King's Speech on the opening of the Commonwealth Parliament was dumb on the subject of preference, although the King's son—now the King—was himself present.

Time with its relentless tread moved on and on. Nine-

* "Canada To-day" (1906), p. 65.

† "Canada As It Is," p. 70.

teen hundred and one passed ; two, three, four, five followed, so did six, seven, eight, nine, ten, and still there was no reciprocal-preferential treaty between Canada and Australia. The year nineteen hundred and eleven came in sight, but not the treaty. Down the avenue of time fled the years twelve, thirteen, fourteen, and fifteen. Only one and twenty years in all since that Conference sat at Ottawa, and the two main participants thereat have not yet come to terms !

There has been talk and a great deal of it. Much ink has been used. The cable has often been in evidence. The statesmen of Canada and Australia have met several times, and dispatches unnumbered have passed between them. Again and again, with that facility of promising that marks a politician, the arrival of the treaty has been predicted, but the treaty has not yet arrived.

Here are some references to the subject from the Australian " Hansard " :

" THE AUSTRALIAN SENATE

" *September 24, 1908.*

" Senator PULSFORD asked the Vice-President of the Executive Council, *upon notice* : (1) Have the Government dropped their intention of introducing measures to secure preferential trading between Australia and Canada, and between Australia and New Zealand ?

" (2) If not, why are they silent on the subject ?

" (3) If they have dropped the matter what is the cause, having regard to the various and enthusiastic statements on the subject made by Mr. Deakin at the Colonial Conference in 1907, and in Australia since his return ?

" (4) Will the Government lay on the table of the Senate any correspondence on the subject, not yet made public, with either Canada or New Zealand ?

" Senator BEST : The answers to the honourable Senator's questions are as follows :

" (1) By no means. Preparations for proposals are now well advanced.

“(2) and (3). These could not be proceeded with until our own tariff was settled. This was only at the end of last session. The questions will be resumed as soon as the present congested conditions of public business are modified.

“(4) I am not aware of any unpublished correspondence, but shall have further inquiries made.”

The Deakin Ministry, which was in office when these questions were asked, were replaced shortly afterwards by the Fisher Ministry, to whom the following questions were addressed :

“ *December 8, 1908.*

“ Senator PULSFORD asked the Vice-President of the Executive Council :

“(1) Has any correspondence, not yet published, passed between Australia and Canada, or between Australia and New Zealand, on the subject of a preferential tariff ?

“(2) If so, will the Government lay such correspondence on the table ?

“ Senator MCGREGOR : (1) As to New Zealand, no, as to Canada, yes.

“(2) Negotiations with Canada have not reached a stage at which it is desirable to place the papers on the table of the Senate.”

Here follow further questions, nearly seven years later, asked in the House of Representatives :

“ *May 27th, 1915.*

“ Mr. FINLAYSON : Is the Minister of Trade and Customs able to report any progress in the negotiations for reciprocal trade with Canada and New Zealand ?

“ Mr. TUDOR : A reply has been received from Canada to the first message sent from the Commonwealth, and a second message has been sent, to which we have not yet received a reply. We hope that the effect of the second message will be to enable us to enter into reciprocal arrange-

ments with Canada. As to New Zealand, nothing has been done."

"July 22, 1915.

"Mr. FINLAYSON asked the Minister of Trade and Customs, *upon notice*: Whether any progress is being made in regard to reciprocal tariff relations between the Commonwealth and the Dominions of Canada and New Zealand?

"Mr. TUDOR: The answer to the honourable member's question is: Some negotiations with the Government of Canada have been proceeding, but no definite progress has yet been made."

The last question asked on the subject is thus reported by the "Hansard" of the Commonwealth on May 17, 1916:

"Mr. FINLAYSON asked the Minister of Trade and Customs, *upon notice*: (1) Whether any progress can be reported in the negotiations between the Commonwealth Government and the Governments of Canada and New Zealand in regard to reciprocal tariff arrangements?

"(2) Whether negotiations have been suspended; and, if so, for what reason and for what period?

"Mr. TUDOR: Negotiations with the Dominions mentioned by the honourable member were suspended shortly after the outbreak of the war, and it is unlikely that they will be resumed until the war terminates."

There is some discrepancy between the last and the two previous replies, but the suspension of tariff controversy during the war is eminently proper. Unfortunately, it has to be pointed out that some months after the war began a Bill was brought into Parliament altering the Australian tariff from end to end. When, therefore, this is done, and the long-delayed reciprocal tariff with Canada is dropped, the war must be looked on as an excuse rather than as a reason.

The "lion in the path" of all these preferential schemes

is, of course, the creature we call protection, as may be seen from this extract from a speech (December 12, 1911) by the late Sir William Lyne, at one time himself the Minister for Trade and Customs :

“ Sir WILLIAM LYNE: The honourable member for Kooyong referred to reciprocal trade with Canada. I was deputed by the then Ministry to try to arrange a reciprocal tariff with that country, and, with that object in view, met Sir Wilfrid Laurier in London. He gave me a list of what he desired that we should admit free. It comprised all the machinery manufactured in Canada by the Massey-Harris Company, the International Harvester people, and other Canadian firms. These were the articles which Sir Wilfrid Laurier wanted us to allow to be dumped here, to the detriment of our own manufacturers. I submitted my list of what we could admit, but he would have nothing to do with it. The whole kernel of their request was that we should allow their machinery to be admitted free to compete with our own people. It was impossible to get any reciprocal trade arrangement under those conditions, and that is what is wrong now. The Government may try as much as they like, but the only reciprocal tariff they could get with Canada would do a great injury to our manufacturers. I should like to see a reciprocal arrangement with Canada, if possible, but we must not surrender the interests of our own people to Canada or any other country. I told Sir Wilfrid Laurier that if the Massey-Harris or the International Harvester people liked to come to Australia to manufacture, they would be very welcome ; but they would have to do the work here under our own tariff, and not in Canada under the Canadian tariff, sending it here to compete with our own people. I do not think that it is possible to secure reciprocity with Canada for some time to come. The Canadians produce little that we really require, and we cannot afford to allow them to compete with our local manufacturers.”

Mr. Fisher, Prime Minister of Australia (June 1910) said

that no reciprocal treaty would be acceptable to Australia that did not give ample protection. He was certain that Canada would not consent to reciprocity of any kind that would not conserve completely the interests of Canada, and that the attitude of Australia would be the same. That put the matter in a nutshell.

This complete failure on the part of Canada and Australia to carry out the resolution of the Ottawa Conference is all the more noteworthy from the fact already mentioned that that Conference was a purely colonial one, Lord Jersey, who represented the British Government, being only present in an informal way, and not voting. His Lordship in his Report (p. 3) said: "It was clearly the opinion of all the colonial delegates that it is desirable that the colonies represented should make arrangements with one another." * That this was the case there can be no shadow of a doubt, and that after the lapse of twenty-two years—spite of effort after effort—no arrangement has been made between Canada and Australia, who between them include more than two-thirds of the white people in the Dominions, is a fact of a most significant character.

"Trade between Australasia and Canada was prominently before the Conference throughout its proceedings, and before the Conference finally adjourned an informal discussion took place to afford the delegates an opportunity for exchanging views as to the products in respect of which trade might be promoted." † Whole pages are given detailing at length the many commodities in which trade might be done, and the delegates appear to have had quite a good time in describing and praising the productions of their respective States. All this makes more marked the dismal failure that followed the close of the Conference.

The Ottawa Conference was really the outcome, the continuation, of the mission to Australia in 1893, by the Hon. Mackenzie Bowell, the Canadian Minister for Trade and

* The sentence concluded: "and, if possible, with Great Britain, which would give Great Britain an advantage over foreign products."

† Report of the New South Wales Delegate, p. 30.

Customs, "with a view to promote the extension of trade between Australasia and Canada." The Report of this gentleman on his return to Canada was to the effect that "there can be no doubt" of a large and profitable trade springing up, and that after consultation with the Premiers of four of the colonies of Australia,

"It was deemed advisable that all the colonies should send delegates to Canada for the purpose of a Conference upon matters of joint interest. The two chief items were understood to be (1) closer trade relations between Canada and the Australasian Colonies, and (2) the laying of a Pacific cable of an exclusively British character."

The Canadian Government broadened the basis of the Conference by including the Cape of Good Hope, Newfoundland, etc., in the list of invitations.

In his opening address at the Conference the President, the Hon. Mackenzie Bowell, said :

"This Conference is the direct outcome of the policy of the Canadian Government in its efforts to extend trade in every direction, *more particularly with its sister colonies.*"

The Hon. G. E. Foster, the Canadian Minister for Finance, was very emphatic. "We are," he said, "a Colonial Conference, we are brought here to look after colonial interests first." He asked :

"Are not we here because *we want to make arrangements with one another?* And it seems to me that every resolution that we pass at this table, if it is to be of any consequence at all, *must be followed by practical action.*"

Practical Action !

In his closing speech the President said : "My desire as a British subject is to see *the colonies trade among themselves, and with the Mother Country.*"

No apology need be made for these extended references to the Ottawa Conference, for they make clear and absolute

the proof that the Conference was called for the very specific purpose of considering the promotion of trade between Canada and other parts of the Empire, primarily Australia.

Before the war began twenty years had already passed, and these alleged lovers of preference were further from uniting themselves in its bonds than they were in 1894. The real fact is that they were right who asserted that the people of Canada and Australia do not themselves care a brass farthing for preference. That this is so is made all the more clear by what occurred, or rather, perhaps, by what did not occur, in both Canada and Australia before federation. In 1861 the colonies of Canada were empowered to arrange tariffs between themselves. How many did they arrange before the Federation of Canada took place in 1869? Not one.

In 1873 the six colonies of Australia were given the same power of making reciprocal treaties between themselves. How many such treaties did they make between 1873 and 1901, twenty-eight years later, when Australian federation was accomplished? Not one.

RECIPROCAL PREFERENCES

1894-1903

Canada and Australia having entirely failed, in the whole period since 1894, to make any reciprocal trade agreement between themselves, let us see what they have done with other Self-governing Dominions, or what these other Dominions have done between themselves. Take first the ten years 1894-1903. An ardent preferentialist * writes :

"In 1895 reciprocal trade agreements were made by New Zealand with South Australia and with Canada. In regard to the first, New Zealand admitted free South Australian wine, olive oil, fruit, and salt ; whilst South Australia admitted free New Zealand barley, hops, oats, and

* Mr. Richard Jebb, "The Imperial Conference," vol. i, p. 192.

horses. During its currency the exports from New Zealand to South Australia more than doubled, though the return trade remained almost stationary.

"The agreement with Canada, which provided for the free admission of some twenty articles, and for preferential reductions on a number of others, had an even shorter duration, being upset apparently by the wider preference of the succeeding Canadian Government."

The claims of the writer are so trifling that they might have been left undisturbed, but even such as they are they shrivel up and disappear altogether when the searchlights of the "Hansards" of the respective Dominions are turned upon them.

NEW ZEALAND

The New Zealand Parliament opened June 20, 1895. The Speech contained the following paragraph :

"With the view of opening fresh markets for our products, my Ministers have provisionally arranged reciprocal treaties with Canada and South Australia. These agreements will be submitted to you, and you will be asked to ratify them."

The New Zealand Bill authorizing the two treaties was read the first time in the House of Representatives, October 2, 1895.

The Bill was thrown out on the second reading, October 28, majority against, 2.

Two days later, October 30, a new Bill was introduced into the Representatives for reciprocity with South Australia only. Second reading carried by a big majority, 35 ayes, 14 noes. The Bill was passed through all stages in the Council on the following day, October 31, and Parliament prorogued the day after, November 1.

The New Zealand Parliament reopened June 11, 1896. The Speech contained the following :

"As you are aware, an Act was passed last session empowering this colony to enter into a reciprocal treaty with South

Australia. The Parliament of that Colony, however, declined to pass a similar measure,"

and, consequently, the treaty between New Zealand and South Australia did not come into existence.

A fortnight after the New Zealand Parliament opened, in 1896, a new Bill, "Duties Reciprocity Bill," was read the first time; it remained on the business paper right up to November 3, 1897, on which date the following appears in "Hansard":

"CUSTOMS DUTIES RECIPROCITY BILL

"Mr. SEDDON moved: That this order be discharged.

"He intended to bring in another Bill."

This Bill was accordingly discharged. The New Zealand "Hansard" of the next year or two does not show that Mr. Seddon did, after all, "bring in another Bill."

SOUTH AUSTRALIA

The "Hansard" of South Australia shows that the Parliament of that State opened in 1895 on June 6, a fortnight before the New Zealand Parliament.

The Speech with which the South Australian Parliament was opened contained the following:

"Pending the adoption of any general scheme of federation and of intercolonial free trade, my advisers are resolved to neglect no reasonable opportunity for securing markets for the staples of the Province by establishing reciprocal commercial relations with other colonies. To this end they have negotiated a treaty with New Zealand, providing for the free admission into New Zealand of South Australian wine, fruit, oil, and salt, and your approval of this treaty will be sought."

The following resolution was moved in the Legislative Assembly of South Australia on August 6:

"That it is desirable to ratify a commercial treaty between New Zealand and South Australia."

This resolution was debated for some days, but "Hansard" shows that it was "read and discharged" on October 31, the very day, strange to say, on which New Zealand agreed to the new measure limiting the preference to South Australia. Later in the day the South Australian Government was asked if, in view of what was being done in New Zealand, they "would give the House an opportunity of recording their votes on the subject." The Attorney-General (the Hon. C. C. Kingston) replied, "Certainly."

On November 14, Mr. Kingston, in reply to a question, said that :

"On the arrival of the Act from New Zealand containing the alterations made in the treaty the Government would decide whether they would reintroduce the resolution dealing with it."

On December 3, Mr. Kingston, in reply to a question, said that :

"He intended to lay the New Zealand Customs Reciprocity Act on the table, and he would probably ask the House to consider it."

On December 20 the South Australian Parliamentary session closed without any further attempt to deal with preference ; without, indeed, any further reference to the subject having been made.

Mr. Seddon of New Zealand and Mr. Kingston of South Australia were distinctly strong men, neither of whom could be turned aside from the pursuit of a political object that could be won by hard fighting, and it is quite certain that their failure in this matter was not due to neglect or weakness. Everything indicates that there was an entire absence of popular feeling on behalf of preference in both New Zealand and South Australia. The temporary win Mr. Seddon had within a few hours of the closing of the New Zealand Parliament was the natural result of the belief that the treaty would give much to New Zealand and but little to South Australia.

The statement by Mr. Jebb about the exports from New Zealand to South Australia having more than doubled during the "currency" of the "agreement" evidently rests on some mistake. The imports into South Australia from New Zealand during the ten years 1888-1897 were as follows :

1888	£ 25,508	1892	£ 21,205	1895	£ 8,586
1889	29,093	1893	3,434	1896	20,933
1890	34,366	1894	6,080	1897	20,685
1891	35,772				

These figures show the effect of the financial crash in the early 'nineties ; the fall, and the recovery. Had the treaty been carried through in 1895, the improvement could not have been claimed as the result of the treaty,* but to claim it as the result of a treaty that was not made—only proposed—shows lack of investigation.

CANADA

With regard to the proposed treaty between New Zealand and Canada, the "Hansards" of each of them show by their silence on the subject that the treaty was not entertained by either side, and never had any chance of being accepted. It is significant, too, that when Canada had a chance of starting reciprocal preference she was indifferent to it. The Canadian Government that had brought about the Ottawa Conference were about to meet the electors, and it is to be noted that when the general election came off in 1896, they were thrown out of office, showing that in Canada, as in New Zealand and South Australia, preference was not even "in the air."

These two attempts to establish reciprocal preference were

* To be quite on the safe side, the present writer has asked the Collector of Customs in South Australia if any preference, even for a limited time, was given to New Zealand goods. He replies that "the office records have been searched," and the Statistical Registers also, for the years 1894 to 1897, and there is no sign of "any discrimination having been made in regard to duty on goods from New Zealand."

the only ones made during the whole of the first ten years after the Ottawa Conference. The failure could scarcely have been more complete.

RECIPROCAL PREFERENCES

1904 AND AFTER

South Africa was the first to follow the lead of Canada in giving preference (August 15, 1903) to the United Kingdom, and then South Africa established reciprocal preference

with Canada . . .	on July 1, 1904
„ Australia . . .	on October 1, 1906
„ New Zealand . . .	on January 1, 1907

After the long-continued succession of failures that have been recorded, how did it come about that so much was done, and in such little time, and that it was South Africa that did it? The more these questions are probed the more it will be seen that preferentialists should be sorry rather than glad over those South African successes. The truth is that South Africa did not want preference, but that it was imposed on her under circumstances and at times that alone made the imposition possible.

It was only at the end of May 1902 that peace was declared in South Africa. Peace found the Cape of Good Hope, Natal, the Transvaal, the Orange River Colony, all of them, sore-stricken and impoverished. What a task there was to bind up wounds, to allay racial animosity, to rebuild, to reorganize, to consolidate, before the South African Union could be formed, and before its Parliament could be elected! One would think that it could only be by such a representative body that the question of tariff preference could be dealt with if due regard were paid to the traditions of British fair play, to say nothing of the generous policy and intentions of Great Britain towards South Africa.

What was done was this: a Customs Conference was held

at Bloemfontein on March 10, 1903, and advantage was taken of this Conference to propose and carry a resolution approving of "provision being made in any Customs Union Tariff for preferential duties on the products and manufactures of the United Kingdom and also of any British colony or possession which may offer reciprocal privileges."

It was certainly desirable to hold a Conference at the earliest possible date to provide for the working together of the different States in the matter of customs duties and revenue, the financial position being obviously of the greatest importance, but to use a Conference, meeting only nine months after the end of the war, and constituted as this was, for the purpose named was surely a mistake, to say the least.

The following took part in the Conference :

President : Viscount Milner, High Commissioner

Cape Colony Delegates :

Sir Gordon Sprigg
Mr. T. B. King
Mr. J. C. Molteno
Mr. W. Macintosh
Mr. L. Wiener

Natal Delegates :

Sir Albert Himer
Mr. F. R. Moor
Mr. J. Hyslop
Sir James Hulett
Mr. G. Payne

Orange River Delegates :

Mr. H. F. Wilson
Mr. A. Brown
Mr. J. G. Fraser
Mr. W. Ehrlich
Mr. P. Blignaut

Transvaal Delegates :

Sir Godfrey Lagden
Mr. P. Duncan
Sir George Farrar
Mr. W. Hosken
Mr. N. J. Breytenbach

Rhodesia Delegates :

Mr. W. H. Milton
Mr. F. J. Newton
Sir Lewis Michell

Mr. W. Dempster
Lt.-Col. Heyman

The whole of the names are given in order that it may be seen that the Dutch element in the population was practically unrepresented. The Dutch naturally do not favour a

policy which means preference for the British and penalty for the Dutch.

Let it be remembered that Mr. Chamberlain had himself been in South Africa only a few weeks before the Conference was held, and that he then and for some months afterwards filled the position of Secretary of the Colonies in the British Cabinet. Let it further be remembered that Lord Milner was the President of the Conference. The "atmosphere" would clearly be preferential, and the idea that loyalty called for preference would have some influence on a conference whose members had hardly had time to get the sound of the guns out of their ears.

The feeling in regard to preference was indicated by a proposal made (by Mr. Wiener) that the preference to the United Kingdom should not be operative till after preference had been given by Australia and New Zealand; the proposal was, however, not pressed.

The Conference of March was followed by a Convention in June, which accepted the proposals of the Conference. The measure had then to be put before the Parliaments of the Colonies (where they had any). In the Assembly, Cape Colony, on June 29, 1903, the Bill was saved by the casting-vote of the Speaker. In the Legislative Council on July 30, the Bill was again in peril, a motion, on the third reading, that the Bill be read that day six months resulting in a tie, when the President saved the Bill by his casting-vote.

It is worth recording that the Convention agreement was signed by (1) the Governor of Cape Colony, (2) the Governor of Natal, (3) the Administrator of Rhodesia, and no less than four times by Viscount Milner, viz. (4) as Governor of the Orange River Colony, (5) as Governor of the Transvaal, (6) as High Commissioner for Basutoland, and (7) as High Commissioner for Bechuanaland. This shows how abnormal everything then was. Had Lord Milner but hinted in regard to the Conference that there is "a season for everything" it would have been delayed, and then probably never been accepted. Indeed, the financial position of South Africa at the time, as well as the future outlook,

should have made all concerned hesitate before making the revenue reductions the preferences compelled.

A new Convention tariff came into force on May 25, 1906. Many duties were raised, some specially for the purpose of rebate, as the following comparison shows :

	1903 Tariff		1906 Tariff	
	Rate	Rebate	Rate	Rebate
Butter lb. .	2d.	nil	2 $\frac{1}{4}$ d.	$\frac{1}{4}$ d.
Wheat 100 lb. .	1s. od.	nil	1s. 2d.	2d.
Flour „ .	2s. od.	nil	2s. 6d.	3d.
Meats lb. . .	1d.	nil	1 $\frac{1}{4}$ d.	$\frac{1}{4}$ d.

The 1906 tariff met with trouble in connexion with preference. In the House of Assembly, Cape Parliament, it was moved (by Mr. Sauer) to add to the motion approving the new tariff.

“ In view of the impending constitutional changes the Government give notice under article 23 (for) :

“(a) The abolition of all preferences or discriminating duties.” *

In favour of the amendment there were 38 votes, nearly all Dutch, against 49, nearly all British.

In the Legislative Council, to the motion approving the Convention, the following was added, on the motion of Mr. Graaf :

“ Though it regrets the inclusion in the said Convention of the principle of preferential duties.”

This was carried by 14 ayes to 11 noes.† It is obvious that there was some strong reason in the background for merely protesting against a Bill when both power and inclination existed to throw it out. There can be no doubt the reason was, as Britain was acting with magnificent

* Other items followed which need not be quoted.

† It was not till 1907 that the Transvaal had a Legislative Assembly. It was governed in 1906 by a Legislative Council only, which passed this Convention tariff by twelve to eight votes.

generosity to South Africa, it was felt that to throw out preference might be interpreted as a lack of appreciation of that generosity and as a failure in the spirit of loyalty and union which every one felt to be essential to the future greatness and welfare of the country.

South Africa's reciprocal agreements with Canada, Australia, and New Zealand were all arranged before the South African Union was formed and before its Parliament was elected,* but it is evident that the objection to preference remained very strong. Thus in July 1908 the South African Customs Union met at Cape Town. At this meeting Mr. Merriman, Premier of Cape Colony, and Mr. Fischer, Premier of the Orange River Colony, supported a proposal to abandon tariff preference. The proposal seems only to have been defeated by the interposition of General Botha, who thought there was a prospect of Imperial preference being granted.

The antipathy to preference is active in the Union Parliament. In the Assembly,† only a few weeks before the present war, a member made the very striking remark that preference required them to "show their love for the Empire by blowing its brains out." The remark was not only striking, but put in a picturesque way a great Empire danger.

In the same House, a month earlier, Mr. Merriman (of Cape Colony) said :

"Somebody had said something about loyalty, as if loyalty has anything to do with paying more for your goods than you ought to pay. The thing was absurd, and he did hope the Minister would sweep the absurdity away."

There is always doubt as to how a reciprocal preference will turn out, and in South Africa there is a strong feeling that they get much the worst of the reciprocal

* It is to be regretted that the South African records available in Australia are not sufficient to enable explanations to be given of the way in which these agreements were made.

† "Hansard," June 24, 1914, p. 3810 (Mr. Fremantle).

preference. Thus, in 1911, the rebates were reckoned to be as follows :

On Australian goods in South Africa .	£ 45,918
On Canadian " " " .	15,256
On New Zealand " " " .	919
	<hr/> 62,093
On South African goods in	
{ Australia .	£ 1,112
{ Canada .	868
{ New Zealand	4,765
	<hr/> 6,745
Difference .	£55,348

One member said : " Under the preferential rates in 1912 for every £1 rebated by Australia for the benefit of South Africa, this country rebated £18 10s. for the benefit of Australia." It is not well for impressions of this character to be abroad in South Africa. How far the preferences are " dead " need not be considered just here, but as, to the preferentialist, every preference is a " live " one, he must not be surprised if South Africa, taking his view, declares she is a heavy loser through the treaties she has made.

On this point section 9 of the reciprocal provisions of the New Zealand Customs Act, 1908, may be quoted :

" Where any country, being part of the British dominions, reduces or abolishes, or proposes to do so, the duty on any product or manufacture of New Zealand, the Governor is authorized to enter into an agreement to reduce or abolish the duty on any articles the produce or manufacture of such country *to an extent that the estimated revenue so remitted shall equal as nearly as possible the remission by that country.* Such agreements, however, require ratification by Parliament."

It will be seen what is expected ; and in an ever-fluctuating commerce the consequences may be imagined. What balances one year will probably, almost certainly, not balance the next.

The Bill to validate the reciprocal agreement between Australia and South Africa was brought into the Common-

wealth House of Representatives on October 2, 1906, a few days before the closing of the session. There was no debate, the statements of the Minister that "South Africa takes much from us, and we very little from it," and that "practically South Africa was reducing its tariff against us," were accepted. Three days later the Bill was put through all stages, and on the same grounds, went through the Senate with almost equal speed.

The Bill to ratify the treaty between New Zealand and South Africa was read the first time in the House of Representatives in New Zealand on July 11, 1906, and put through the remaining stages the day after. On the 16th the Council put the Bill through all stages. The reason for the rush was that "the treaty would otherwise have expired on the next day"—July 17. As in Australia, very little interest was taken in the treaty, in both Australia and New Zealand it was accepted as a certainty that the balance of advantages was with them and not with South Africa.

Exports to the South African Union

		From Australia		From New Zealand
		£		£
1904	. .	2,082,742	. .	153,409
1905	. .	2,638,070	. .	175,466
1906	. .	1,857,873	. .	88,545
1911	. .	1,717,894	. .	43,345
1912	. .	1,488,153	. .	82,964
1913	. .	1,941,164	. .	61,499

Imports from the South African Union

		Into Australia		Into New Zealand
		£		£
1904	. .	6,039	. .	630
1905	. .	13,218	. .	452
1906	. .	16,797	. .	356
1911	. .	76,784	. .	9,948
1912*	. .	295,354	. .	13,663
1913	. .	127,263	. .	7,766

* In 1912 an exceptional importation of maize—£162,635 into Australia and £6750 into New Zealand.

South Africa is deficient in her home supply of wheat and some other foodstuffs. Before the treaty she imported these to the extent of the deficiency, mostly from Australia and New Zealand, and still does so. The changes in the main have been in the exports from South Africa. Bark for tanning purposes has grown to some importance without preference, £50,900 in 1912, £27,200 in 1913. It was on the free list, but a specific duty of about 20 per cent. was imposed in 1914 to stop the trade. The preference has undoubtedly led to the importation of about £7000 worth of tobacco into Australia, and of about £6000 worth of wine into New Zealand. This trade in wine is only a small one, but it has aroused some feeling in New Zealand and in Australia. In New Zealand the local wine makers say the preferential duty of 2s. gives them insufficient protection. The general rate is 5s. In Australia it is said the South African has simply displaced a portion of the Australian article which is subject to the full rate.

In the strict meaning of the word there was no reciprocal agreement between Canada and South Africa, that is, no treaty was made between them covering special reciprocal concessions. What was done was that each admitted the other to the preferences it had given to the United Kingdom.

SOUTH AFRICA AND AUSTRALIA

SOUTH AFRICA AND NEW ZEALAND

These two are the only reciprocal treaties between self-governing parts of the Empire that have eventuated since the Ottawa Convention of 1894, but, after all, it is doubtful if they contribute any credit to that policy, for it appears that these two treaties carried with them responsibilities unknown at the time of their acceptance, and unrecognized ever since. That this is so will be seen at once from the following statement made by the Colonial Secretary in the House of Commons (June 11, 1912): "It has always been an accepted principle that any trade advantages granted by one Dominion or Colony to another shall be extended to the

United Kingdom." * The advantages in question are not extended to the United Kingdom.

Nothing can be more certain than that Australia and New Zealand would not have accepted the treaties had they had any idea of this "principle" being in existence. Some concessions by Australia to South Africa were made and defended on the ground that South Africa could not take advantage of them. Harvesters were the most notable instance of this. An *ad valorem* duty equal to about £5 each harvester was in existence in 1906, and two changes were made at the very same time. The duty was *raised* to a specific one of £12 to all the world except South Africa, in which case it was *lowered* by one-fourth, so that ever since 1906 the duty has been £12 against the United Kingdom, and about £4 against South Africa. It has been so for ten years, but no shipments have come from South Africa. There are a number of other articles in the treaties, however, which are regularly shipped.

The Tariff Commission would have been consumed with anger if they had known of any foreign country differentiating against Britain to this extent : that many such differentiations have been made by a Self-governing Dominion they discreetly keep out of sight, though evidently knowing all about the principle against which it offends.

The year 1906 was marked by an attempt to arrange a reciprocal preference between Australia and New Zealand. The arrangement proposed included moderate duties on certain goods when imported into either country from the other, with higher duties on the same goods when imported into either from any other part of the world. Reciprocity between the two might have been expected to mean lowering the barriers that existed between themselves, so that a more natural flow of trade might have resulted, but it was very

* Memorandum No. 49 (31/7/12) of the Tariff Commission, p. 9. Mr. Hunt asked if in the agreement between Canada and the West Indies the Government had stipulated that the advantages given by each party to the treaty to the other should be extended to the United Kingdom. To this question Mr. Harcourt replied as quoted above, and continued : "and I have no reason to think that this principle was not fully recognized by the parties to the recent Conference at Ottawa."

largely a united effort to raise duties against the outside world, including the United Kingdom.

The New Zealand Government appointed a Committee to report on the proposed agreement. The Committee reported that "it regrets that it is unable to recommend the ratification of the treaty submitted, on the ground that any advantages which would accrue to this colony would, in its opinion, be outweighed by the sacrifices involved."

"The Report was adopted by the House of Representatives, and in consequence the excess duties which had been collected from August 30th to October 3rd, 1906, on certain goods, not the produce of Australia, were refunded under Act 26 of 1906." *

The reference to "*Excess duties . . . collected*" shows the direction in which reciprocity was sought. *The weighing and balancing of advantages* by that Committee, and afterwards by the Parliament, show the rock on which *reciprocal* preference is ever in danger of striking, and on which in this case it struck and sank.

No reciprocal treaty has been arranged between Canada and New Zealand, but each enjoys the preference which is given by the other to United Kingdom products, Canada from 1904, and New Zealand from 1906.

Efforts have been made on both sides for a formal and extended reciprocal treaty. Thus the Speech on the opening of the New Zealand Parliament, June 27, 1907, contained the following :

"Whilst in London my Prime Minister discussed with Sir Wilfrid Laurier the question of a tariff treaty between this country and Canada, and negotiations are now in progress, the result of which, if they take practical form, will be submitted to you in due course."

Evidently the negotiations did not take "practical form": there was another wreck on Reciprocity Rock.

The last attempt at reciprocal preference is that between

* From "Papers laid before the Colonial Conference, 1907," p. 430.

Canada and the British West Indies. Canada, which had for years been admitting the sugar of the British West Indies at preferential rates, desired to arrange for the reciprocal treatment of Canadian products. The result was the Royal Commission appointed by the British Government in 1909 to take evidence on the subject. The Commission made their Report in 1910, favouring the adoption of reciprocal preference.

An agreement was completed in 1913 between Canada and "certain" of the British West Indian Colonies. Several of them, Jamaica being one, declined to join. It was therefore evident that there was no eagerness, no rush for reciprocal preference.

The main argument in favour of the agreement, and the main argument against, had both to do with the United States. It was said the United States had an unfriendly tariff, and it was said the United States bought largely. The following paragraph is from p. 21 of the Report :

"The geographical position of the West Indian Colonies must always tend to throw them under the influence of the fiscal system either of the United States or of the Dominion of Canada. Attempts have been made from time to time to obtain for these colonies special advantages in the markets of the United States, whose proximity renders them of special importance to the West Indies. *The colonial policy of the United States has now finally stopped advance in that direction.*"

The words now printed in italics would not have been written could the Commission have foreseen that in less than three years from the date of the Report the United States would put sugar on the free list. Indeed, it seems safe to say that there would have been no Report, no Commission, and no Agreement had "free Sugar" in the States been foreseen. The date for the abolition of the duty in the States was 1916, so that there was still some time for preference in Canada. For the year ending March 31, 1914, the imports into Canada from the British West Indies, including

British Guiana, showed a decrease of 24 per cent. on the average imports of the previous four years; whilst the return exports showed an increase of 14 per cent. on the average exports. The aggregate imports and exports showing a decrease of 13 per cent.

The Agreement, it will be seen, was a failure from three points of view. It failed in that only part instead of the whole of the West Indian Colonies was persuaded to join. It failed in regard to the United States. It failed in its effect on the Canadian-West Indian trade. The Canadians, who have shown themselves sincerely anxious for the welfare of the West Indies, will be able to rejoice in the improved prosperity of the Islands, and will themselves lose nothing as their own faith in reciprocal preference gets more and more shaken.

"Trade reciprocity within the Empire" has, since the war began, been advocated right and left, but—alas, there is always a "*but*"—some one sooner or later cries out "don't tread on *my* corns." The *British Empire Review* (June 1915) contains an illustration of this. A Conference of Australian Chambers of Commerce was held at Hobart, the capital of Tasmania, and the sentiment quoted was "favoured" by "all." Then came the "*but*." "A door ajar between Australia and New Zealand would not be fair." Tasmanian farmers depended upon their protected position with regard to the Australian markets, and therefore the free entry of New Zealand oats, potatoes, and peas would be ruinous to them. The Conference adopted this view, and decided to suggest to the Federal Government that it should reopen negotiations with Canada and New Zealand advocating reciprocity, *with a due regard to the protection of the individual States*. We will all be good "with a due regard" to our individual vices! Free trade for everybody and protection for myself! Reciprocal reciprocity contains within itself the germ of its own destruction. This record of its doings has been extended to great length, but it is time the character and the utter failure of the policy were everywhere recognized.

ONE-SIDED TARIFF PREFERENCES

Failure after failure followed attempts to establish reciprocal preference—by bargaining between protectionist Dominions; some general recognition of the fact by those concerned should have been forthcoming. But though there is no shadow of doubt as to the fact itself, the public recognition of it is still withheld. However, one-sided preferences are as easy as the two-sided are difficult, and the one-sided have been adopted on quite a large scale. The following have been given by the Dominions named, and from the dates following, to goods the product or manufacture of the United Kingdom :

By Canada . . .	From April 23, 1897
By South Africa . .	From August 15, 1903
By New Zealand . .	From November 10, 1903
By Australia . . .	From August 8, 1907

The Canadian preferences were created wholly by reduction of duties. The South African and New Zealand partially by reduction and partially by surtax. The Australian wholly by surtax, and lately Canada has begun to use the surtax. The word "surtax" is generally avoided, though it is regularly used in the official papers of New Zealand. The plan of putting something extra on "the other fellow" makes preference very easy, for a concession can be created and balanced, by putting as much or more on the sum from which the concession is taken. It is significant that whilst Canada began with preference wholly by reduction, Australia ended with preference wholly by surtax.

The preferences given by the respective Dominions vary much in amount and in the number and the selection of the commodities to which they apply.

The origin and history of the first one-sided—the Canadian—preference are traced elsewhere, and with regard to the second, the South African, the remarks made under the

heading of "Reciprocal Preferences" also apply, in fact mainly apply, to this one-sided preference of South Africa.

With regard to the Australian it is needful to refer to a Bill giving a one-sided preference to the United Kingdom which was passed by the Australian Parliament in 1906, and from which the Royal assent was withheld. That Bill showed clearly how closely protection and preference are interlocked. Another Bill was introduced about the same time for the purpose of establishing reciprocal preference with New Zealand. It is explained elsewhere what happened to that reciprocal Bill, and what its character was. It was admitted that the reciprocal-preference proposal would injure British trade, and the British preference Bill was introduced for no other object than to balance that injury. Mr. Deakin, the Prime Minister, said * :

"Because the Mother Country is affected to some extent in some of those cases (in the New Zealand agreement) we have submitted our proposals for preferential trade with her. . . . While in entering into reciprocal arrangements with New Zealand, we have altered some rates of duty in a manner which will affect imports from the Mother Country, we have offered to the latter advantages which will more than compensate."

Australia and New Zealand were to be benefited at the expense of the United Kingdom, and then the United Kingdom was to be compensated at the expense of foreign countries. It is not a story about which preferentialists can be proud, but it shows what the policy can lead to. The Royal Assent was withheld from the Bill because the preference was made dependent on the goods being imported in British ships, which treaty engagements forbade, and also because of the further condition that the ships should be "manned exclusively by white seamen." This condition put on one side all the coloured sailors who are Empire subjects, a condition which, as Mr. Asquith at the 1907 Conference emphatically said, Britain "could not under any

* "Hansard," September 12, 1906, p. 4451.

conceivable circumstances " accept. Probably to-day Mr. Deakin is as thankful as most British subjects are that the rights of Indian sailors were not forgotten.

It is singular that both Bills were passed in Australia, and yet that neither came into operation, New Zealand not accepting the agreement on which one was based, and the British Government being unable to ask for the Royal Assent for the other Bill. Had either come into operation alone Mr. Deakin's compensation scheme would have had awkward results.

In 1907 Australia altered her tariff from end to end, increasing the duties very materially, and at the same time adopting preferential duties for the United Kingdom alone. In the whole tariff, some hundreds of items, there was not one item where the duty on British goods was reduced ; but, generally, after deducting the preference, the duties under the new tariff were higher, at times 10 to 15 per cent. higher, than under the old tariff without the preference. That this should have been done in August by the Prime Minister, who, in the April preceding, at the Imperial Conference, was so eloquent about preference, came as a shock to many. Indeed *The Times* was so angry that it spoke of Mr. Deakin's preference as " in many cases almost derisory."

How far the preferences that exist to-day are " live " or " dead " preferences is considered in connexion with duties. It is to be regretted that the subject has been completely neglected. There is no doubt at all but that a very false impression exists as to the value of these preferences to the United Kingdom, the existence of an impression that Britain is gaining at the expense of the Dominions is not good for either the one or the other. That the Canadian preference was accepted in 1897 was unfortunate, and one would like to read the complete correspondence on the subject that passed between the British and the Canadian Governments. Those who think it would to-day be an easy thing to convert these one-sided into reciprocal preferences should carefully study the facts now put forward for the

first time showing the complete failure of all attempts at reciprocity in the much smaller and less complicated trades of the Dominions.

PREFERENCE BY BRITAIN

The keystone of the arch of the preferential delusion is the proposal that Great Britain shall give preferences on Empire products. It is simply proposing the impossible. A ship can only be docked when the dock is larger than the ship, and "live" preference can only be given when the market is larger than the supplies.

The producing power of our world-Empire is colossal, and nothing less than a world-market will suffice for it. The productive possibilities of the Self-governing Dominions taken alone are gigantic, for, in size, the Dominions equal two Europes. But it is suggested that preference will convert these "possibilities" into actualities. Let us see, then, what are the actualities already reached.

For 1912 and 1913—the two last complete years before the war—the imports into the United Kingdom from the rest of the Empire and what became of them are shown in the following table :

	1912	1913
	Mill. £	Mill. £
Imports: Merchandise only	186.0	191.5
„ Retained . .	129.8	135.4
„ Re-exported .	56.2	56.1

These figures show that in certain classes of goods the supplies were so much in excess of what the British consumers wanted that re-exports—mainly to foreign countries—had to be made to an amount equal to about 30 per cent. of the value of the entire imports from British countries. The percentage of the re-exports of colonial imports is more than three times as big as that of foreign imports.

We will take a further look into the actualities. In the same two years the British countries (outside the United

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Kingdom) imported from one another to the following extent :

		1912	1913
		Mill. £	Mill. £
All the countries	. .	82.7	79.0
Dominions alone	. .	23.1	25.0

These figures include bullion and specie ("Empire Abstract," p. 120).

Proceeding still further. Here are the exports of British countries (outside the United Kingdom) to all foreign countries :

		1912	1913
		Mill. £	Mill. £
Total to foreign countries	. .	223.6	246.3

These figures also include bullion and specie ("Empire Abstract," p. 38).

The three sets of figures aggregate for 1913 the total of 517 millions sterling.* With needful corrections the exports of the outside British countries were probably 488 millions merchandise, and 66 millions bullion and specie, a total of 554 millions.

Two noteworthy and somewhat opposing facts come out of these various figures—first, that the outside British countries exported merchandise to the extent of 488 millions ; and, second, that the United Kingdom's consumption was only 28 per cent. of this total.†

There is really no sound reason why the bullion and specie (66 millions) should not be included with the merchandise, for, in the countries of production, gold and silver are as much merchandise as the baser metals, and they are shipped for realization purposes and not to balance the exchanges, as is generally the case in Europe. Gold and silver cannot be

* "The Colonial Abstract, 1913," p. 61, puts the total exports of all British countries (outside the United Kingdom) at 554 millions for 1913, including bullion and specie ; these probably reached 66 millions, of which 49.4 millions were imported into the United Kingdom.

† In the case of the United Kingdom import value was taken, but on the export value the percentage would probably not exceed 25, and it is the export value here dealt with.

subjected to preference, and therefore they must not be hidden out of sight.

There are probably very few people who have any idea that the British Empire, outside the United Kingdom, in 1913 exported merchandise and precious metals to the aggregate amount of 554 million pounds sterling.

If the re-exports of Empire products by the United Kingdom indicated that production beyond consuming power already existed in various commodities, and killed the possibility of preference—"live" preference—being applied to them, how much more is this indicated by the huge total of the exports.

Thirteen years ago the present writer published a list of commodities that were even then being produced in the Empire beyond the consuming power of the Empire, and therefore beyond the reach of preference. The list was as follows: wool, cheese, tea, tallow, hides and skins, tin, jute, rice, palm-oil, coco-nut oil, pepper, ginger, rum, sago, indigo, woods such as mahogany and teak, certain seeds for expressing oil, dye woods, various drugs, gutta-percha, pearl shell, fish such as salmon.

At the same time he frankly admitted that there were then—1903—a number of very important articles on which a "live" preference could, for a time at any rate, be established. One of these was wheat. He wrote: "As for wheat, the quantity required by Great Britain is so enormous that it would take a good many years in spite of a preference for the Empire to overtake it." But now—1916—the British consumption of wheat has been overtaken. Australia this last season, 1915-16, had a harvest of 180 million bushels, giving her at least 140 million bushels for export. Canada, 1915-16, had also a bumper harvest, officially * estimated at 309 million bushels, which would probably give an exportable surplus of 250 million bushels. Up to the year of the war the importing needs of the United Kingdom have never exceeded 230 million bushels—a quantity which Canada herself could have supplied in

* The Canadian figures are taken from the *Grain, Seed and Oil Reporter*.

the year in question, without one bushel being taken from the Australian supply, and without calling upon India.

This means that the ship is too big for the dock: the supplies too big for the British market: that preference for wheat has ceased to be a possibility. The matter is no longer open to argument, there is the fact for all to see and recognize. Will the preferentialists be honest and openly admit that wheat has now nothing to gain from any policy of preference?

Perhaps the best view of the utter hopelessness of preference by Britain is to be had by looking over the exports of the Self-governing Dominions one by one.

(1) Newfoundland. Total exports in 1913, £3,016,094. Of these 67 per cent. are the product of the fisheries, 17 per cent. paper and pulp, and the balance iron and copper ores. There seems no scope here for preference.

(2) South African Union. The total exports in 1913 were £66,659,552. The following are the principal items:

Gold . . .	£ 37,589,399	Coal . . .	£ 1,392,464
Diamonds . .	12,016,525	Angora hair .	876,255
Wool . . .	5,719,288	Tin Ore . .	381,042
Feathers . .	2,953,587	Bark . . .	309,329
Hides and skins	2,010,484	Copper . .	449,509

These total about 64 million pounds, and in not one line could preference avail.

(3) New Zealand. Exports, 1913, £22,986,722. These include the following:

Wool . . .	£ 8,057,620	Kauri gum . .	£ 549,106
Gold and silver .	1,704,485	Tallow . . .	663,088
Cheese . . .	1,770,298	Timber . . .	319,650
Flax . . .	721,924	Coal . . .	210,093
Hides and skins	1,148,854		

Making a total of 15 millions out of reach of preference. Of the balance, meat £4,551,344 and butter £2,061,651 could be at present advantaged by preference.

(4) Australia. Total exports, 1913, £78,571,769. Of these exports, wool, skins, hides, tallow cover 35 million pounds; metals, 10 million pounds; wheat and flour, 10 million pounds; bullion and specie, 5 million pounds; coal, timber, pearl shell, oil, leather, horses, bark, green fruit, etc., 5 million pounds; together, 65 million pounds which are out of the range of preferential action. The balance—13-14 million pounds—is made up in the main of meat and butter, which are at present amenable to the action of preference.

(5) Canada. Total exports, £98,460,685, year ending March 31, 1914. These include wheat and flour, 30 million pounds; gold and silver, 12; wood and pulp, 10; cheese, 4; fish, 4; seeds, 6; oats, 3; hides and skins, 3; metals, 3; machinery, 2; coal, 1; fruit, 1; asbestos, 1. The total of these is 80 million pounds, in regard to none of which could preference be expected to render any service. There remain items such as butter, bacon and hams, meat dead and alive, which could be advantaged.*

The exports of India ought also to be looked at. For the year ending March 31, 1914, the total was £170,726,916.

	Mill. £		Mill. £
Cotton, raw . . .	27.4	Hides and skins . . .	10.6
„ twist, etc. . .	8.5	Tea	10.0
Jute, raw	20.6	Wheat	8.8
„ manufactures .	18.8	Bullion and specie .	4.7
Rice	17.7	Opium	2.3
Seeds	16.1	Wool	2.0

In the majority of these items preference cannot be given, and in the others, such as cotton, it is not likely to be suggested. There are a number of articles, such as sugar, tobacco, dyes, wax, coffee, in which a “live” preference might be established.

The exports of Ceylon, £15,657,570, consist in the main

* These figures are taken from the “Statistical Abstract for the Colonies,” pp. 165-167, but the table there given is far from complete.

of tea, rubber, coco-nut and its products, in all 88 per cent. of the total. Probably the "live" preferences named as possible for India would also be possible for Ceylon.

The subject is rather a dry one, but if there are "sermons in stones" there are surely sermons in statistics, and much even of the music and poetry of life are forthcoming from statistics for those who know how to listen. Speaking broadly the figures here given indicate great development, and point to still greater future development, but we must learn how to deal with figures. Just as certain words do not suit some tunes, so certain statistics do not fit some arguments. The people of the United Kingdom are often told that they are importing very little from their own Empire, and they are plied with the statistics showing the quantities imported from foreign which are compared with those showing the quantities imported from British countries. They are asked to accept the difference between these figures as indicating the scope for schemes of preference. This comparison does not give the scope correctly, for, in commodity after commodity, the British possessions are sending supplies to other countries besides the United Kingdom. The correct indication of the scope for preference is, therefore, to be found by comparing the aggregate of such supplies sent to all countries with the consumption of the United Kingdom. Thus, if of a certain article the British possessions export half a million pounds' worth to the United Kingdom, and half a million to other countries, making a total of one million, then if the British consumption is three-quarters of a million there is a deficiency of one-quarter of a million in the imports from British possessions, but all the time there is a surplus of a quarter of a million in the production as compared with the consumption of the United Kingdom; and with a surplus of production no "live" preference can be established. Whether or no protection or preference as a policy be open to debate, there is no room for debate as to the impossibility of establishing a "live" preference on, say, wheat. It is reasonable to expect this fact to be

recognized in regard to wheat and all other articles similarly situated.

On the other hand, there is no room for debate as to the possibility of establishing a "live" preference on various articles. One of these is sugar. There is here large scope for preference. But "is the game worth the candle" pecuniarily, and is it possible politically?

The United Kingdom requires nearly two million tons of raw sugar annually. The production in India exceeds this quantity, but the Indian consumption is so great that instead of having any surplus for export, a further half-million tons or more have to be imported. If, then, the British consumption of sugar had to be supplied by Empire production, well over one million tons would have to be produced beyond present figures.

Where is it to be produced? As a matter of fact it could all be grown in Australia, but Britain would have to be prepared to give at least £6 per ton over the world-value. In Australia every one knows that the sugar industry is a struggling one, spite of a protection of £6 per ton which is added to the price. It is recognized that sugar cannot be sold for export, because world-value cannot be accepted, and therefore the production is not allowed to exceed Australian consumption. This enables the protection of £6 to be regularly collected from the consumers. Owing to the distance between Australia and the United Kingdom a high average of freight would have to be paid, so if Britain obtained a million tons from Australia she would have to be prepared to pay perhaps as much as from seven to eight millions of pounds annually in excess of world-values.

This impoverishment of Britain would not mean the corresponding enrichment of Australia. The world is not wanting more sugar whilst it undoubtedly is wanting more meat, bacon, butter, and cheese, all of which articles Australia is producing profitably without State aid, and in which she could increase her production to an almost unlimited extent. Increased production and export of these

articles and their sale at world-prices would tend to the development of Australia as much if not more than the sugar business would.

There are other parts of the Empire besides Australia in which an enlarged sugar production could be preferentially arranged, South Africa, for instance, where, with cheaper coloured labour, a much smaller preference would be operative.

Cane sugar requires tropical or semi-tropical heat, but as beet sugar requires cool if not cold climates, it is evident that Canada, New Zealand, and the cooler parts of Australia could produce much beet sugar if assured of a large enough addition to the ordinary world-value.

The fact would have to be faced that the life of a preference cannot be guaranteed. The "live" preference of to-day may be the "dead" preference of to-morrow. The sugar production of the world for the two last years for which returns are available, 1912-13, and 1913-14,* exceeded 18 million tons. It is a huge total, and indicates how easily sugar is produced, and that if the different parts of the Empire started a sugar-producing campaign, both cane and beet sugar, the task of increasing by one-tenth the world's sugar-supply would not be a difficult one. The fact that the world-supply has increased in fifteen years, 1899-1914, from 10 to 18 million tons, on the basis of moderate values is sufficient proof of this. What would happen when this easy task was accomplished? The "live" preference would be "dead," and world-values would again rule throughout the Empire, with the result that wherever production was dependent on a price beyond world-value ruin would overwhelm the industry.

Now look at the political aspect of the proposal to preferentialize sugar. All Britain's allies, except perhaps Serbia, produce sugar, and three of them have surpluses

* "Statistical Abstract of Foreign Countries," No. 39, p. 470, gives the following figures:

		Beet	Cane	Total
1912-13: Tons	.	9,058,899	9,397,370	18,456,269
1913-14: ..	.	8,486,404	9,671,870	18,158,274

which they export. Here are the latest available figures.

	Produced Tons	Exported Tons
Russia . . .	1,526,398	369,000
France . . .	768,468	167,000
Belgium . . .	222,574	155,000
Italy . . .	322,353	nil
Japan . . .	251,489	nil

During two years of war nothing has been more marked than the ever-growing esteem in which British people have held their Allies, and this has been accompanied by an ever-growing hope that after the war the trade between them and Britain might become greater than ever. Any man who at this juncture should suggest the putting of their trade or any portion of that of any one of them in a worse position in the British market after the war than it occupied before would be a public enemy. Probably in the whole history of commerce no other article has caused as much trouble between nations as sugar has done, and no taxing proposals involving a differentiation could be viewed without the gravest anxiety. Beet and cane between them give sugar alike in the temperate zone and in the torrid zone, and nothing seems lacking to make sugar important in every department of life. The increase of production in recent years has been phenomenal, beet and cane have shared equally in the expansion, and between them the production has expanded as follows :

Year .	1897-98	1900-1	1909-10	1913-14
Million tons	10.5	12.5	15.0	18.2

It seems certain that after the war all the European beet-sugar countries will produce as much as possible, and if their own consuming powers are reduced, which is all too likely, then they will have increased quantities for export. In view of the fact that great as is the consumption of the United Kingdom it yet only covers one-tenth of the world-

production, the immediate future of sugar seems uncertain. But of one thing there can be no doubt, that is that sugar is of so great economic importance to the allied countries that if by enlarged Empire production the United Kingdom ceased to be the large buyer she has been in the past the consequences might be disastrous to the industry in every one of the allied countries. The conclusion with regard to sugar is that though a "live" preference can be easily started it would inevitably be a failure economically, and that politically it would be the parent of trouble if not of disaster.

To make the sugar position quite clear as regards Australia advantage may be taken of the fact that a Royal Commission on the Sugar Industry took evidence and reported thereon in Australia in 1912. Some extracts from the Report will make the Australian position very clear :

"A whole community which prefers to grow its own sugar in its own territory with white labour, rather than purchase from abroad sugar grown by cheap coloured labour, must face the responsibility of making good the increased cost of production under the higher standard of living and reward. . . . The Australian community is pledged to . . . in a sense, an annual subsidy to the sugar industry of over £1,000,000 per annum" (p. 20).

"The growers generally complain . . . that they do not receive an adequate return . . . the net protection is inadequate" (p. 22).

"No substantial export trade of Australian sugar can be anticipated, at any rate for a long time to come. Such an export trade, in competition with coloured-grown sugar in Java and elsewhere, could only be maintained by the payment of an export bonus so large as to prove an intolerable burden" (p. 22).

"Some witnesses have expressed a great faith in Imperial preference. While a scheme of Imperial preference is possible, we cannot conceive that any one who has realized the necessity of cheap sugar to several very important

British industries would venture to anticipate a differential treatment in favour of Australian sugar substantial enough to enable Australian producers to meet the competition, for example, of Java. While a political party in Great Britain has continued to urge the claims of Imperial preference, the drift of opinion, so far as the commodity of sugar is concerned, appears to us to have been rather in the direction of a free-trade policy. Even if Great Britain adopted a scheme of Imperial preference it would presumably apply to all coloured-grown sugar in the British Possessions" (p. 71).

These extracts make it very clear that if the preferentialists could have their way they would soon have the British Empire in a very tangled web in the matter of sugar, complicated as it would be by the question of white versus coloured labour. The Royal Commission, it will be noted, could not "conceive" that Britain would entertain the question of preference.

Now look at bacon and hams, in which the position is distinctly bad. Here are the imports into the United Kingdom for 1903 and 1913 * :

		1903	1913
Bacon :	Cwts.	5,156,988	4,857,890
	Value	£13,619,140	£17,428,881
	Average cost	52s. 10d.	71s. 9d.
Hams :	Cwts.	1,141,332	854,995
	Value	£3,142,574	£3,068,251
	Average cost	55s. 7d.	71s. 9d.

The falling off in the supply is very great ; and the increase in the cost is very grave. To see the full seriousness of the change it is needful to remember that in the ten years the population increased more than three millions. The Dominions Royal Commission † say that between 1901 and

* "Statistical Abstract for the United Kingdom."

† "Memorandum and Tables," November 1915, pp. 29-30.

1913 the consumption of bacon, hams, and pork dropped from 45 to 32 lb. per head. As the people paid so much more money their welfare obviously suffered.

Surely, it will be said, here is a case for preference, and certainly the position is such that a "live" preference could easily be established. Yet the truth is that the figures given speak eloquent words of warning as to the futility of such remedies. The United States were the great shippers to the British market, and the idea was to keep them out and let Canada and other parts of the Empire come in. But the United States have ceased to want the British market for their bacon and hams, and they now send little or nothing. Denmark and Holland have done something to make up the shortage. Then as to Canada. In 1903 no tariff-lover would have dared to suggest a preferential tariff in excess of 10 per cent.,* but the market has risen 38 per cent. in the case of bacon, and 30 per cent. in the case of hams; and Canada herself, instead of sending more bacon and hams, is actually sending less. It is obvious, therefore, that what 30 to 38 per cent. failed to accomplish would not have been accomplished with 10 per cent.

Of course it is the rapid growth of population in both the United States and Canada—their own competitive demands—that brought down their exports.

There is a world-scarcity, it might be called a famine, in these special products, and at such times, if duties exist, protective countries generally suspend them. To suggest the imposition of duties, call them protective or preferential, at present would be to invite rebuke all round. Such proposals will not be made when their consequences are too glaring. Experience points to the fact that very high prices sooner or later lead to increased production, and it is from this direction that relief will come.

With regard to meat the position generally has been revolutionized, the great feature being that the United States have withdrawn from the export trade, and entered

* Mr. Chamberlain, Glasgow, October 6, 1903, suggested "about 5 per cent. on meat," but bacon was to remain free.

into the import trade. It is quite clear that there is no reason, now at any rate, for preference on meat in British markets. Canada, Australia, New Zealand can push ahead with the meat business as fast as ever they like, their main competitor of the past being a competitor no longer, but rather a supporter. In such circumstances what is to be gained by a preference? True, it would be a "live" one, adding to the cost of living of the many already heavily burdened, and adding to the profits of the few who already are doing well, but when the industry is being carried on under the impetus of good and assured markets there is less reason than ever to seek further impetus. Mr. Chamberlain only wanted "about 5 per cent." put on meat when there was much foreign competition. To-day, even the preferentialist can scarcely ask that foreign supplies shall be discouraged.

There is no occasion to follow in detail the numerous imports of Britain. It is clear enough that the Empire development that is taking place, without any preference by Britain having been given, is steadily, year by year, reducing the opportunities for the action of "live" preference; article after article is growing out of reach of its benefits. The following are two more items to be added to that growing list:

Empire production in	1899	1913
Cocoa, lb. .	48,081,000	197,171,000
Rubber, lb. .	12,050,000	96,342,000

The supplies in both these articles from within the Empire are now so considerable that they exceed the consumption of the United Kingdom.

It cannot surely be long now before all parties recognize that Empire production in commodity after commodity is growing so large that it requires the consuming power of the world-market; that any attempt to confine such trade to the United Kingdom is bound to fail, and is essentially a non-recognition of the greatness and the growth of the Empire.

PREFERENCE BY BRITAIN WOULD MEAN CENTRALIZATION IN BRITAIN

[In this section it is assumed that the proposals of the preferentialists could be carried out, and then it is shown what would follow. As a matter of fact "live" preference by Britain is now impossible in articles such as wheat and tea here referred to, unless occasionally when crop failures reduce the supplies within the compass of the British market.]

There is not one Self-governing Dominion that is not ambitious of taking part in world-trade. Some of them have commissioners representing them in other countries for the purpose of opening up new markets. The rest of the Empire, that is, the Empire outside the United Kingdom, has to-day a commerce that is quite colossal. Here are the figures for 1913 * :

Imports and Exports	Mill. £
From and to the United Kingdom	. 475.7
From and to British possessions	. 151.0
From and to foreign countries	. 489.9
Total outside the United Kingdom	. 640.9

A trade of 640.9 million pounds is a big one to play experiments with. About 76 per cent. of it is with foreign countries. The foreigner is, of course, the villain in the play. There are two cardinal sins of which by British preferentialists he is deemed guilty : one is that he buys less than he ought to buy from the United Kingdom, and the other is that he buys more than he ought to buy from the rest of the Empire.

There is no disputing the fact that preference would tend

* "Statistical Abstract for the Colonies," pp. 55 and 61.

to centralize commerce. If Canada has some wheat,* or Australia some wool, or New Zealand some butter, or India some jute to export, then Great Britain must have it. The British exponents of this policy are quite sure that if they bestow sufficient largess on the rest of the Empire all will be well. But if we study the subject in some detail we shall find that the suggested policy of centralization would have a very destructive effect, and bring about results never intended, and certainly never expected.

Let us test this centralizing project as it affects Australia, which is a continent in itself almost as large as Europe, the centre of a great southern world, washed by waters of mighty oceans. For years Australia has been opening connexions all over the Pacific, aided by representatives touring country after country, and much commerce is now carried on between Australia and the countries bordering on the Pacific and Indian Oceans, as well as with the numerous groups of islands which dot their waters.

The customs returns of the Commonwealth show that during 1913 Australia exported to various countries outside Great Britain 13 million centals of wheat and flour. Much of this large export went to countries in the Pacific and Indian Oceans. These countries include the Union of South Africa, Portuguese East Africa, Ceylon, Java, Japan, Philippine Islands, Peru, Borneo, Sumatra, China, Mauritius, as well as many of the numerous island groups which are yearly growing in importance. Besides wheat and flour, large exports of other products—meat, butter, timber, wool—went to swell the volume of a large, valuable, and growing commerce. Naturally this commerce means a corresponding amount of shipping. It is not straining the truth in the least to say that the exports of wheat and flour, by reason of their bulk, have done much to start and maintain shipping services from Australia to many of the countries named. But if by the attraction of preference all Australian com-

* Lord Lansdowne, November 14, 1912, spoke of the intention of his party to impose sufficient duty on foreign wheat to bring into Great Britain the wheat of Canada and Australia.

modities are drawn to Great Britain, Australia would be compelled to close up these new markets, and some at least of the steamship services would have to be suspended and others curtailed. A more effective method could scarcely be conceived for clearing the British-Australian flag out of much of the waters of the southern world. This is not at all guesswork: it is as clear as any proposition that Euclid ever put forward, that if the merchandise that Australia now sends to the countries enumerated be in future sent to Great Britain the widespread trade now existing will come to an end. Of course the countries concerned will not go without the goods they require: the United States, from their western ports, and Japan will be able and willing to step into trade from which Australia retires. There is no Empire "*building*" discernible in such changes as these.

Then in regard to the South African Union a very extraordinary and truly ridiculous position would arise. The Union is at present an importer, not an exporter, of wheat and flour, and could pocket no preferential largess on exported wheat. The position would be the very reverse: she would find herself penalized if she bought Empire wheat. In 1913 Australia exported to South Africa 2,689,719 centals of wheat and 764,182 centals of flour. With British preference working as its supporters desire, South Africa would in future be driven to buy foreign wheat at its world-value instead of Australian at its preferential-value. If it is sinful for foreign-grown wheat to be consumed in the part of the Empire known as Great Britain, it must also be sinful for it to be consumed in the part of the Empire known as the South African Union. This extraordinary position which would be forced on South Africa would also be forced on a score or more of the colonies of the Empire.

The moment Great Britain gave preference to Empire raw materials, that moment would the seed be sown of inevitable conflict (1) between Great Britain and the Self-governing Dominions, (2) between the Self-governing Dominions themselves, (3) between the producer and the manufacturer in

each individual Self-governing Dominion, for interests in all cases would clash, and (4) the interests of India and the Crown Colonies would also clash with other Empire interests in many directions. Take leather and hides. If the preference were effective in Great Britain as against the foreign it would correspondingly raise the value of Australian. If leather became dearer in Australia, the local boot and shoe manufacturers would be handicapped to the same amount in favour of foreign boots and shoes. They would then demand the imposition of an export tax to counteract the preference. It would be a pretty sight: Britain giving more than its value for Australian leather to attract it to her shores; Australia imposing an export tax to prevent it being exported. "Hansard" shows that, even without the influence of preference, the Australian Government has often been asked to impose an export tax. Britain, if she gave this preference, would most certainly be asked by Australia to cancel it, and then some other part of the Empire, interested only in hides, might insist on the preference not being disturbed, and so on through a long range of Empire products.

It being to the interest of the producer of raw material in the Self-governing Dominions to obtain an increased price he would welcome a preference that secured this for him; whilst it being the interest of the local manufacturer to obtain his material at as low a price as possible he would resent the preference. Therefore, as pointed out, if Great Britain gave way to the cry for preference to Empire products she would at once bring the interests of one class in a Self-governing Dominion into collision with the interests of another class in the same Dominion.

Then there is another class of commodities, viz. those produced in India and various tropical colonies, and imported into the Self-governing Dominions. Take tea, for instance. If Great Britain gave an effective preference to Indian and Ceylon teas, the Self-governing Dominions would very probably object to the cost of their tea being raised, and point out that this tended to drive them to use China and

Java teas. The same trouble would arise in connexion with coffee, cocoa, sugar, rice, and other commodities. Friction all round.

Many parts of the Empire—Australia, New Zealand, for instance—are distributing centres, whence British manufactures are sent out. But it is obvious that the more a preferential policy centralized trade in Great Britain, the smaller and less effective would become these channels of distribution. The boomerang would come back.

Were Great Britain to adopt preference on all products from the rest of the Empire there would at once be inaugurated a contest between preference and preference. Canada and certain of the British West Indies, a short time ago, concluded a preferential arrangement ; Canada gives advantages to West Indian sugar and fruit—the West Indies give advantages to Canadian flour and fish, less important articles on both sides being also included in the arrangement. If Great Britain gave preference to flour, fish, fruit, and sugar, her much larger buying power, especially combined with her better shipping facilities, would tend to break up the Canada-West Indies treaty, which already is suffering from the effects of the important tariff reductions of the United States. An agreement exists between Canada and New Zealand under which the latter gets preference on butter sent to the former. This has caused much annoyance and comment in Australia, which finds itself practically cut out of the trade in butter with Canada by reason of the advantages enjoyed by New Zealand. Preferential *treaties*, as yet at any rate, are few in number.

In the Dominions themselves the matter of preference really receives very little attention, whilst in the United Kingdom it is freely affirmed to be a "cardinal policy" with the Dominions. Neither one side nor the other is as yet awake to the widespread conflict of interests that would arise if there were a general acceptance of preference. The leading protectionist organ in Australia, the *Melbourne Age* (June 10, 1896), in reference to Zollverein proposals, said

that even if Australian products were largely increased in value in the United Kingdom,

“they might find themselves seriously prejudiced in the European markets, which it is so greatly to their interests to cultivate. They would also be expected to surrender in part the liberty to deal with their own commercial and fiscal affairs.”

Since that was written Australian trade has extended far and wide over the Pacific and Indian Oceans, so that now there is more and not less at stake. But compare the statement of the *Age* with the following from the *London Empire Review* (May 1912), p. 216.

“Be it particularly noted that foreign competition, unfortunately, includes an ever-growing effort to obtain from British Empire sources raw materials as primary products. It is obvious that this milking of the Dominions overseas, if permitted to continue without hindrance or regulation, will lead up to the starvation of some of our greatest manufacturing industries in the United Kingdom.”

It will be observed that the very business which the Australian writer declares to be “greatly to their [the Australians’] interest to cultivate” is rudely described by the British writer as a “milking of the Dominions.” The “letting out of waters” is as nothing to the letting out of protection even when called preference. Conflict and destruction are ahead in both cases.

THE TAXATION ASPECT OF PREFERENCE IN GREAT BRITAIN

[Here, again, it is assumed that a “live” preference on wheat is possible.]

Customs duties are edged tools, very dangerous when handled by the unskilled. Protection of any commodity is dependent on the duty thereon being operative, and preference is, of course, similarly dependent. Take wheat, for

example, with a duty of sixpence per bushel levied on imported foreign-grown. Under such a duty the grower of wheat in the United Kingdom would be able to obtain an extra sixpence on his product, and would call it protection. The grower of wheat in Outer Britain would also be able to obtain the extra sixpence, and would call it preference. The British importer would be quite ready to give the extra sixpence to the producer in Outer Britain because he would save that amount on the duty. Hence the wheat of all growers abroad in and out of the Empire would cost the miller the extra sixpence, and this being so the home producer would be able to exact the extra sixpence from the miller for his British-grown.

Somebody would have to pay these sixpences, and that would be the consumer, and if his aggregate consumption were 300 million bushels, the sixpences would reach the sum of £7,500,000. If the supply had been provided as follows : 60 million bushels by the British producer ; 180 by the producer of Outer Britain, and 60 by the foreign producer, then the money would be divided as follows :

To the home producer	.	.	1,500,000
To the Outer Britain producer	.	.	4,500,000
To the Treasury	.	.	1,500,000

If, with the view of enlarging the Treasury receipts, the duty were fixed per bushel, foreign, one shilling, Outer Britain, sixpence, the cost of all wheat in the United Kingdom would be raised by the full shilling. The home producer would get protection to the extent of the shilling, and the Outer Britain producer would get preference to the extent of sixpence as before. The British taxpayer would be mulcted to the amount of £15,000,000, and this sum would be divided as follows :

To the home producer	.	.	3,000,000
To the Outer Britain producer	.	.	4,500,000
To the Treasury	.	.	7,500,000

But the taxation aspect does not by any means end here.

The moment the producer in Canada, Australia, and other parts of the Empire could get an extra sixpence a bushel by selling to the United Kingdom that moment the price would be automatically raised to the local buyer. Obviously so. It could not be otherwise. If one Canadian farmer sold his production of 20,000 bushels for shipment to the United Kingdom, and pocketed £500 preference thereon, a neighbouring farmer with another 20,000 bushels to sell, with the British market open also to him, on similar terms, would certainly not dispose of his wheat for consumption in Canada unless he also secured this extra £500. Why should he?

It is clear then that a preferential, a "live" preferential, duty of sixpence a bushel imposed in the United Kingdom would create an Empire value of sixpence more than the world-value, so that the bread-eaters of Canada, Australia, and other wheat-producing and exporting parts of the Empire would find the cost of their bread to be correspondingly raised. The consumers of the Self-governing Dominions would find themselves to be taxed by legislation imposed by a Parliament from whose taxing powers they were supposed to be free! To the millions taken from the pockets of the people of the United Kingdom would be added other millions taken from the pockets of the people of the Dominions.

The "cost of living" is everywhere a live question, and for the British Parliament—the *British*—to add to this trouble throughout Outer Britain would be "a blunder worse than a crime." The preference gun is loaded, and none the less so because the fact appears to be so little known. That the British people have not succumbed to the lure of preference is a tribute to the soundness of their political instinct; in fighting preference they have been fighting for the elemental rights of their brothers throughout the Empire as well as for their own.

It is not necessary to trace the result of preference in regard to every commodity, the principle is the same in all cases. If you create a protective or preferential area the

protection or preference extends equally throughout the whole area—though in fact the area itself may consist of smaller areas widely apart. There is, of course, a difference between a duty on food and one on raw material. In the former case the cost of living is the consideration, in the latter the effect on manufacturing is the consideration, which is the more grave of the two it is not easy to decide. There is no object in a preference that is not a "live" one, but if Britain decided to give preference to the products of the rest of the Empire just so far as that preference became operative would it involve (1) increased cost of living and (2) decreased ability to manufacture, and both of these results would affect every part of the Empire in proportion to the extent of consumption and manufacturing.

THE STATISTICS OF PREFERENTIALISTS

Preference came to the front at the very time when commerce in the English-speaking world was sick, though showing signs of returning health. The full recovery and the vigour that followed have been claimed, persistently claimed, as due to the virtues of preference. Speaker after speaker and writer after writer have spent eloquence and ink in comparing the amount of trade done since the recovery, not with what was done before the sickness, but with what was done during the sickness. These speakers and writers must have credit for, apparently, not knowing that the sickness ever existed, but that it did exist and with much severity in the early 'nineties has already been made clear beyond possibility of refutation.

Mistakes, which when made by individuals may be excusable, become inexcusable when made by a public body, especially one calling itself by the more or less official name of a Commission. The Tariff Commission has published many sheets of statistics dealing with preference. One of its Memoranda, dated May 18, 1911 (p. 34), contains the heading, "Course of Empire Trade under Preference."

Reference is made to fifteen tables, more or less elaborate, of the exports of British manufactures, and it is said :

“ It will be found on examination of these tables that in nearly all the groups the export trade from the United Kingdom to the Self-governing Dominions was declining or stagnant in the decade from 1885 to 1895. Subsequently, and in the period when preference came to be adopted into the fiscal systems of all the Dominions, a reversal of this movement is shown. Increases are general, and in many cases these increases are much larger than to any other markets.”

In the first place it may be pointed out that it was not true in 1911, and it is not true in 1916, that “ all ” the Dominions have adopted preference. Newfoundland has not done so. It is true that her population is only a fourth of one million, but that gives no reason for either overlooking or misrepresenting her ; any more than any consideration can justify the Commission in overlooking or misrepresenting the fact that the population of the whole of the five self-governing Dominions, in the aggregate, is only equal to one-third of that of the United Kingdom alone. On p. 13 we read, “ If the United Kingdom fell into line with the rest of the self-governing Empire,” etc. ; p. 17, “ Following this rebuff steps were taken in Canada,” etc. ; p. 27 reference is again made to bringing “ British policy into line with that of the rest of the Empire.” Such remarks are grossly improper. Does the Commission know what the word “ rebuff ” stands for, and how absolutely inapplicable it is to British policy towards the Dominions ? The repeated references to (what really means) bringing 75 per cent. into line with 25 per cent. shows that the sense of proportion has been lost.

Now for the quotation. It is true, as stated, that the export trade of the United Kingdom to the Dominions was “ declining or stagnant ” from 1885 to 1895 (that was the time of the sickness). What follows about “ a reversal of this movement ” is not true, so far as it suggests that the

improvement was due to preference, and this is just what the words quoted are intended to convey. The whole trend of the Commission's statements are that Britain's export trade generally is decaying except that with the self-governing Dominions, which is kept alive and energized by preference.

The fifteen elaborate tables are quite interesting when examined table by table, different lines of goods, but when one is looking for totals, and comparative totals, he does not want to be confused with detail. These tables give the exports in the various lines for United Kingdom exports for the years 1885, 1895, 1905, 1906, 1907, 1908, 1909. Now we will take from the "Statistical Abstract" the exports from the United Kingdom to the Dominions, one by one, giving the sums in millions of pounds.

(1) AUSTRALIA. PREFERENCE, AUGUST 8, 1907

Exports thereto, United Kingdom Goods

1885	1895	1900	1907	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
21.2	14.2	21.6	24.1	24.0

The "reversal" of the downward trend was accomplished in Australia about seven years before preference.

(2) NEW ZEALAND. PREFERENCE, NOVEMBER 16, 1907

Exports thereto, United Kingdom Goods

1885	1895	1900	1905	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
3.9	3.1	5.5	6.4	7.4

Here, again, "reversal" was well ahead of preference.

(3) SOUTH AFRICA. PREFERENCE, AUGUST 15, 1903

Exports thereto, United Kingdom Goods

1885	1895	1900	1905	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
3.8	10.6	12.8	16.4	13.6

Here there was nothing to reverse. The 1895 "sickness" did not extend to South Africa. Gold was "booming" then.

(4) NEWFOUNDLAND. NO PREFERENCE.

Exports thereto, United Kingdom Goods

1885	1895	1900	1905	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
0.4	0.3	0.5	0.4	0.6

The "reversal" took place without preference.

(5) CANADA. PREFERENCE, APRIL 23, 1897.

Exports thereto, United Kingdom Goods

1885	1895	1898	1900	1905	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
6.8	5.3	5.8	7.6	11.9	15.7

Here the "reversal" did follow the preference, but it will be noticed that the recovery to the 1885 level was made in 1900, the same year as in Australia, New Zealand, and Newfoundland, which indicates that the "reversal" in Canada, as elsewhere, was due to far-reaching natural causes and not to local preference.

Now take India and the Crown Colonies together :

Exports thereto, United Kingdom Goods

1885	1895	1900	1905	1909
Mill. £	Mill. £	Mill. £	Mill. £	Mill. £
42	37	47	61	65

Here once more is the "reversal" and no preference.

As the Tariff Commission has been blind and deaf to the movements which have, in the form of exports, transferred millions upon millions of capital to other countries, notably in certain years, to the Self-governing Dominions, it is not surprising that they are dumb on the subject in their various Memoranda. Yet it is certain that these movements of

capital have had a mighty effect in shaping the statistics which the Commission use. The following figures with regard to Australia and Canada should be looked at carefully :

<i>Total Imports</i>			<i>Total Exports</i>		
	Canada	Australia		Canada	Australia
	Mill. £	Mill. £		Mill. £	Mill. £
1885	22.7	36.9		18.6	26.7
1895	22.8	23.4		23.4	33.6
1905	54.8	38.3		41.8	56.8
Increase	32.1	1.4		23.2	30.1

It will be seen the changes have been very great in the twenty years, and that they have been very different in the two Dominions, the differences being as follows :

<i>Canada</i>			<i>Australia</i>		
	Excess of			Excess of	
	Imports	Exports		Imports	Exports
	Mill. £	Mill. £		Mill. £	Mill. £
1885	4.1	—		10.2	—
1895	—	0.6		—	10.2
1905	13.0	—		—	18.5

In 1885 Australia borrowed enough to pay interest and to give an excess of imports of 10 millions sterling, a very big thing with a population at the time of less than three millions. In 1905 Australian exports were more than doubled, providing enough to pay for the year's imports, and leaving an excess of 18½ millions, which would about cover interest.

Canada in 1885 borrowed enough to pay her interest and to give her an excess of imports of 4 millions. In 1905 both imports and exports showed very marked expansion, the former specially so, and, apparently, Canada borrowed enough in that year to pay all her interest and give her 13 millions in excess of imports.

Once these various facts are grasped it will be understood how materially the statistics of British exports in 1885 to

Australia and other Dominions were inflated, and that to the extent of the inflation the statistics in question cannot be fairly used for comparative purposes in regard to such Dominions. In fact, to compare the figures for the year of inflation, 1885, with those of the year 1895, when trade was sick, requires either audacity or ignorance.

PREFERENTIAL ERRORS AND MISREPRESENTATIONS

The preferentialists do not admit—apparently they are not aware of—the greatness of the barriers British trade has to meet in the lands of preference, nor yet how absent the barriers are in the case of return trade. The following figures give some light on the subject :

CANADA

January 1, 1898, to March 31, 1914

Aggregate Imports from	Aggregate Exports to
United Kingdom	United Kingdom
\$1,370,032,914	\$2,230,446,354

These figures cover the period of Canadian preferential policy up to within a few months of the war, and show an excess, taken by Britain, of \$860,413,440. The imports into Canada were subject to duties which, in the aggregate, reached in round figures \$240,000,000, whilst the imports into the United Kingdom from Canada were practically all free of duty.

(In passing it is fair to point out that the Canadian duty collections on goods from the United Kingdom are much enlarged by the large sums collected on British spirits, etc. In fact, a false impression exists as to the relative percentage collected on British and American goods. Taking the year ended March 31, 1914, the duty collections spread over the whole imports (dutiable and free) equalled 19½ per cent. in

the case of the British and only 15 per cent. in the case of the American. But taking the imports without intoxicants and narcotics and the duties collected thereon, the percentage in the case of the British imports is reduced from 19½ to 16, whilst the American remains at 15 per cent. (fractionally less). An examination of the 1898-1914 figures on the same basis would reduce the 240 million dollars mentioned above to a smaller but still formidable sum.)

A return was put before the Imperial Conference of 1907 comparing the treatment accorded to British goods in the Dominions to that accorded to Dominion goods in the United Kingdom. It was as follows,* and was based on the latest figures available in each case :

Imports : Merchandise into the United Kingdom

From	Free of Duty	Subject to Duty
	£	£
Canada . . .	28,019,668	15,368
Australia . . .	29,178,609	106,537
New Zealand . .	15,618,850	163
South Africa . .	6,327,476	16,894

Imports : Merchandise from the United Kingdom

Into	Free of Duty	Subject to Duty
	£	£
Canada . . .	3,406,000	10,815,000
Australia . . .	5,738,000	14,513,000
New Zealand . .	2,484,000	5,300,000
British South Africa	6,506,000	14,335,000

These figures are very instructive as they stand, but they can be made more so. Thus :

Imports into	Aggregate Imports	Subject to Duty in each £100		
	£	£	s.	d.
United Kingdom . .	79,283,565	0	3	6
Dominions . . .	63,195,000	71	6	2

* Conference Report, p. 509. The return had been tabled in the House of Commons on the motion of Mr. Harold Cox.

There is a well-sustained fiction to the effect that it is easy to get goods into the Dominions, but difficult to get them into foreign countries. Here is a statement made by Mr. Deakin regarding the export trade of Australia, which will serve as one illustration of many such statements :

“ On all sides the export trade of Australia is blocked by ever-increasing barriers erected by foreign countries.”*

The position at the time Mr. Deakin spoke had been represented as follows: the “ Australian export trade stands on velvet ; for farm products it possesses a boundless market in the United Kingdom, and for pastoral products, which Australia produces to twice the consuming power of the Empire, the protectionist countries of Europe throw protection aside and give free admission.” † That this faithfully represented the position may be judged from the fact that the Consul-General for France, in 1905, wrote to the Prime Minister of Australia to draw attention to the duties imposed in Australia on French goods when Australian goods were admitted into France on easy terms. The Consul-General said that in 1903 France bought goods from Australia to the value of over three million pounds sterling, whilst Australia only bought from France to the value of half a million, and that though France admitted her large purchases almost wholly without duty, Australia on her small purchases collected quite a big revenue. As a matter of fact the Consul-General understated his case, for a very large amount of Australian produce was re-exported from England to France, which he did not include in his figures.

In 1879 when “ the National Policy tariff ” was introduced into the Canadian Parliament by Sir Leonard Tilley, he affirmed that the policy aimed at a reduction of imports. ‡ Similarly in Australia on October 8, 1901, Sir George Turner, the Treasurer, referring to the protectionist tariff introduced

* Imperial Conference (1907) Report, p. 244.

† Statement first publicly made in 1906 by the present writer.

‡ Porritt, “ Sixty Years of Protection in Canada,” p. 363.

that day, said that "we estimate that the result of the tariff will be to reduce our imports by about £5,000,000.* Spite of such clear and repeated statements British preferentialists still continue to talk and write of the Dominion markets as if they were open ones and to be relied on at all times to take large amounts of British goods.

The United Kingdom exported to Australia in the five years before federation, 1896-1900, an aggregate of 157,000 tons of salt. In the five years 1909-13 the aggregate exports were only 108,000 tons. Allowing for the increased consumption of a population showing a mean increase of 25 per cent., the loss of trade was equal to 88,000 tons, which was entirely due to the protective duty imposed by the Australian federal tariff.

It is natural to be "loth to look a gift-horse in the mouth," and because Canadian preference is largely a gift accompanied by much affection, the policy at the back of it has escaped most of the close British criticism to which it would otherwise have been subjected, whilst statements and statistics, obviously inaccurate, to use a mild term, have not been pilloried as they deserved. Perhaps a little of the neglect of the past may now be rectified. The difficulty will be to know where to begin and where to stop.

It was in 1903 that Mr. Chamberlain took up his preferential crusade. He was at once and has been ever since credited with having been filled with fire and determination on its behalf. Yet on September 28, 1903, he wrote to the late Duke of Devonshire a letter which contained the following sentence :

"I thought you were with me in principle when I raised this question, and had I known that you were so little prepared for it, I should certainly have delayed and perhaps even abandoned its advocacy." †

* "Hansard," p. 5680.

† Professor Holland, "Life of the (Eighth) Duke of Devonshire" (1911), vol. ii, p. 359.

The letter continued :

“ All the indications point to a period of bad trade before long, and when numbers of respectable workpeople are thrown out of employment, the feeling in favour of a change will be irresistible.”

It will be seen that the great crusader was so little on fire with his crusade that he would “ certainly have delayed ” and might even have “ abandoned ” it had he but known that the Duke disapproved. The strength of Mr. Chamberlain’s convictions cannot be better tested than by this expression of his readiness to delay or perhaps abandon the crusade. The period of bad trade on which Mr. Chamberlain was relying did not eventuate, but instead a period of prosperity perhaps not before equalled was enjoyed by the British Isles. It is fairly clear that it was only this expectation that kept Mr. Chamberlain going. Duke or no Duke the abandonment would have been certain could he have foreseen the good times that came instead of the bad times that did not come, but which were evidently essential from his point of view.

Look where we will in the literature of preference Mr. Chamberlain is always found represented as a man inspired, a man with a great mission, from which he could not be turned aside, and nowhere in such literature is the weakness with which he held his convictions as much as hinted at. In the whole course of an eminent and arduous career never did this statesman ever commit himself to assertions so easily disproved, or to forecasts that so completely failed, as he did in this preferential campaign. But these blunders and failures are carefully hidden from view, and treated as non-existent. Speaking generally, there is seldom a fact that is thought to tell in favour of preference that is not exaggerated, nor one that is thought to tell against it that is not minimized or hidden.

Mrs. Partington and her broom find a counterpart in the suggestions of the wonders that can be worked by very trifling preferential duties. A world-wide experience of the

way in which all duties of this character have ever been increased and increased is ignored. The British public in their happy ignorance of the weight of such duties are specially aimed at in this respect. At the Ottawa Conference Sir George Foster spoke of 1 per cent. being "probably quite sufficient" to handicap German trade. Sir Charles Tupper of Canada, at the Congress of Chambers of Commerce, London, 1892, proposed a resolution asking for "a slight differential duty," afterwards adding, "not exceeding 5 per cent." In 1891 Sir John Macdonald, Prime Minister of Canada, affirmed that with 5 or perhaps 10 per cent. preference Canada would get from the United Kingdom the whole of the manufactures she did not make herself.* The people who specially promulgate these views are often the very people who are loud in their praise of the old preferences, which frequently ran to 50 per cent. and more. The fact, of course, is that if a country once deliberately adopts any given policy increase in the cost does not stop the prosecution of it. The German duty on corn started at one mark, and Bismarck said, "even the wildest agrarian would never dream of a duty of three marks," but the duty was increased until it rose to five and a half marks—nearly double the figure named as one of which even the wildest agrarian would never dream. The matter is not open to doubt or question, every country that has started protective duties has always raised them, and there exists no shadow of reason for believing that any other result could now be arrived at. The *Westminster Gazette* (1909) published a series of articles on the "Scientific" tariff † in which instance after instance is given of the contempt felt for small duties by the people who want to be protected, and who do not hesitate to say that they want duties far above anything suggested.

One result of the cry for preference in the United Kingdom is now very certain—that is, that if preference were given to colonial products it would also have to be given to home products. This could be done according to an authority

* *Statist* (Prize Essay), p. 15.

† Afterwards republished in pamphlet form by the Cobden Club.

by a tariff in the United Kingdom on "imported manufactures, and also to some extent upon imported foodstuffs, with regard to every article of which there should be two scales, a higher scale for the importations from foreign countries, and a lower scale for importations from other parts of the Empire." * To encourage people in, say, Canada or Australia to send goods to England is to increase the competition against the English producer. If you give preference to the colonial over the foreign producer, you are sure to be asked to give preference to the home over the colonial producer.

The preferentialists show the greatest possible ignorance of the conditions which rule and of the spirit which animates protection. Some of them, evidently quite sincerely, believe that the protectionist Dominions will put their policy aside for the sake of the Empire. In 1903 Mr. Chamberlain said at Glasgow :

" I believe the colonies will reserve to us the trade which we already enjoy. They will not arrange their tariffs in future in order to start industries in competition with those which are in existence in the Mother Country."

There never was any reason for a belief of this nature. Mr. Chamberlain's political instinct should have made him see that preaching protection for England was not the way to suppress protection in the Dominions.

A few weeks after the war opened the following appeared in the *Pall Mall Gazette* :

" Can the Dominions help in the war that we are making on the enemies' trade ? . . . Yes, they can. ' It would be of immense advantage if they would take off, or at any rate reduce, during the war, the tariffs on British goods that are in competition with those of German and Austrian manufacture, and readjust them after the war is over,' said Mr. George Hughes, Chairman of the Executive Council of the

* Lord Milner, Canada, October 28, 1908 (*British Empire Review* December 1908).

British Empire Industrial League, to our representative, 'and I believe that they would,' he added, 'if representations were made to them. It would bring us still closer together, it would give them cheaper goods, and would greatly stimulate British trade.' "

In Australia something was done, but widely different to what was suggested. That was, the tariff was overhauled (December 3, 1914). No duties were abolished or reduced; but some new ones were imposed, and a number of old ones were increased. In apparel the rate on British-made was raised from 35 to 40 per cent., and the rate on other than British from 40 to 45 per cent. In addition a new departure was made in the clothing trade. In consequence of complaints by local makers that British makers sold their end-of-season surplus goods at very low clearing prices, a schedule was arranged under which *ad valorem* duties were supplemented by specific duties. The mixed duties can in no case total less than the percentages named, but they reach very much higher percentages in "bargain" goods.

The statements made by Mr. Chamberlain and the *Pall Mall Gazette* show that the position of industry under a protective system is not understood. When employment rests on protection, the protection cannot be suddenly taken away without trouble resulting. One of the principal objections to the policy itself is that of the conditions it introduces into industry and the consequent fact that a reversion to free trade takes more or less time. Further, if the policy of a country be that of protection, and has been so for years, there are but few branches of trade that have not been brought under its sway, and it would be difficult to keep those few out of the charmed circle. Mr. Chamberlain overlooked the fact that the development of industry is in different stages in the different Dominions, and that probably every industry was carried on, if not in all, still in some one or more of the Dominions, and that no Dominion would like to bind itself not to start, under protection, an industry that was being carried on under

protection in some, or even if in only one, of the other Dominions.

We are indebted to Mr. Chamberlain for a singularly instructive illustration of the weakness of both preference and protection—and also for evidence that these two policies are essentially the same. After advocating a duty of 2s. a quarter on foreign corn, Mr. Chamberlain proceeded :

“ I propose that the corresponding tax on flour should give a substantial preference to the miller, and I do that in order to re-establish one of our most ancient industries in this country, believing that if that is done, not only will more work be found in agricultural districts, with some tendency, perhaps, operating against the constant migration from the country to the town.”

It is interesting to note that even at the very time Mr. Chamberlain spoke there was a decreasing import of flour and an increasing import of grain. For the five years ending with 1903, the imports of flour were as follows in millions of cwts. : 22.9 ; 21.5 ; 22.6 ; 19.4 ; 20.6. Then for the ten years after Mr. Chamberlain spoke, viz. 1904–13, the imports were : 14.7 ; 12.0 ; 14.2 ; 13.3 ; 13.0 ; 11.1 ; 10.0 ; 10.1 ; 10.2 ; 12.0.

During the fifteen years 1899 to 1913 the imports of wheat in the grain increased by over 50 per cent., or from less than 70 to over 100 million cwts., so that the increase of British milling during the years in question without any shadow of protection or preference was of a most substantial character. This improvement, it will be seen, was well on the way at the very time when, in 1903, Mr. Chamberlain spoke of the milling industry as one needing special efforts to “ re-establish ” it.

But Mr. Chamberlain showed that he shared the views of so many British Imperialists that manufacturing in the Dominions and colonies was to be discouraged. The British miller was to have “ substantial preference.” The preference the colonial farmer was to have on his wheat was to be a “ low ” one, whilst that of the British miller on his flour was

to be "substantial." Mr. Chamberlain talked about British industries being "gone" when they were not even going, and the milling industry was one. Let it be remembered that whilst he wanted to build up the industry in Britain he wanted to pull it down in the Dominions.

The statistics used in England in support of preference are generally of very fragile construction and easily come to pieces. The increase that took place in the exports of British manufactures to Canada in the late 'nineties is persistently claimed as being the result of the preference that came into effect in 1897-98. It will be well, then, to make clear beyond a doubt the facts governing the position in the 'nineties. There had been a severe depression—in truth, a great financial collapse—extending far and wide, reaching the culminating-point in 1893. At the time, 1897, when Canada introduced preference a general recovery was taking place, in which recovery Canada was sharing, but preference had as little to do with it as the fly on the wheel, which thought it was the motive power.

The position in the United States has thus been described * :

"Panic of 1893. Before Cleveland was fairly started on his second administration the disastrous panic of 1893 swept the nation, nor did prosperity return during the four years that followed. . . . Clearing-house certificates were resorted to by the New York banks in June, followed in August by partial suspension of payments . . . deposits in national banks shrunk enormously . . . 22,000 miles of railway were under receiverships, and construction almost ceased."

The position in Australia was as bad or worse :

"In 1893 occurred the financial crisis which shook Australia to its foundations. . . . Bank after bank . . . suspended payment. . . . Panic was general . . . public confidence had received such a staggering blow that it was long ere it recovered." †

* "Encyclopædia Britannica," 11th edition, vol. xxvii, p. 728: "United States."

† Coghlan, "The Seven Colonies," p. 37.

"Wages fell precipitously, as also did rents. There was almost a complete cessation of building, and large numbers of houses in the chief cities remained untenanted." *

The effect of the crash on the import trade can be seen from the following figures † :

1887-1891:	Annual average imports	. 35.4
1892-1896:	" " "	. 25.6
1897-1901:	" " "	. 36.2

The strain was very severe in London, as may be judged by the (*Economist*) figures of new securities, which are given for 1893 with those of three years before and three years after :

New Securities

		Million £					
Year	.	1890	1891	1892	1893	1894	1895 1896
Mill. £		143	105	81	49	92	105 153

With regard to Canada itself conditions in the early 'nineties were not as bad as they were across the border and in Australia, but they were bad enough, as may be seen by the returns of the public revenue, which were as follows :

		£			£
1890	.	8,199,785	1895	.	7,000,883
1891	.	7,931,397	1896	.	7,561,549
1892	.	7,597,794	1897	.	7,791,097
1893	.	7,866,385	1898	.	8,382,750
1894	.	7,501,542	1899	.	9,661,923‡

The lowest point was reached in 1895, after which the recovery commenced and had made good progress by the time preference came into operation in 1897-8. The receipts of the Canadian railway companies fell to their lowest in

* Coghlan, "The Seven Colonies," p. 423.

† "Official Year-Book of Australia" (1915), p. 518.

‡ "Statistical Abstract for the Colonies." The Canadian financial years ended June 30.

1894-5, recovery began in 1895-6, and had reached a substantial figure when preference came.*

That the position in Canada was not exceptional may be seen from the following table :

Exports of British and Irish Produce to †

		Foreign Countries Mill. £	British Possessions Mill. £	Australia Mill. £	Canada Mill. £
1890	.	176.2	87.4	19.7	6.8
1894	.	143.2	72.9	13.0	5.5
1895	.	155.9	70.3	14.2	5.3
1899	.	176.8	87.7	18.0	7.0

Each column shows a more or less equal drop, followed by a more or less equal recovery ; and the ten-year period 1890-99 ends much the same as it began.

The expansion that has marked the import trade of Canada since 1890, and more especially since 1900, is due to two causes—first and foremost, the great growth of exports ; and, second, investments of British and American capital. The exports were as follows ‡ :

	1890 Mill. £	1900 Mill. £	1910 Mill. £	1914 Mill. £
To United Kingdom	9.9	22.1	30.8	45.7
Total exports . . .	19.9	39.4	61.9	98.5

Tariff had nothing to do with this splendid expansion, which resulted from the brain and muscle of Canada at work in the great interior. No one who fails to recognize the truth of this can understand or fairly represent Canadian affairs. The great Dominion was pulled out of the mire of depression by her own efforts ; and that, at the same time, she did not get out of the mire of protection was her misfortune rather than her fault.

* The returns can be seen in the " Statistical Abstract for the Colonies," under Railways."

† The Australian and Canadian figures are included in British Possessions.

‡ The years 1890 and 1900 ended June 30, the years 1910 and 1914 ended March 31.

Any one who grasps the facts of the times will certainly recognize that if preference had never been dreamt of there would still have been recovery, sooner or later, in all directions where depression had broken down the trade of ordinary times. When a man's income grows, his tradespeople get larger orders, and if a million men in a community are all enjoying increased incomes, the aggregate of the larger orders given to tradespeople may easily run into a few millions of money, but when these millions of money are converted into statistics one never knows the suggestions and assertions that will be made as to the origin of the increases.

It is very noteworthy how easily a customs barrier is surmounted when trade "booms." Canada gives no preference on British spirits, beer, or tobacco. Look at the exports of these articles from the United Kingdom to Canada :

	1890	1895	1905	1913
	£	£	£	£
Spirits . . .	71,203	94,953	276,598	730,142
Beer and ale .	31,587	15,481	22,180	69,245
Tobacco . . .	nil	nil	17,563	80,411

The duties on intoxicants and narcotics are, as every one knows, exceedingly heavy, but with plenty of money about such duties are paid without a word, and the absurdly big increase shown takes place. Similarly we may be sure that in all branches of harmless luxury and domestic needs the same ability to pay tends to make people buy the best, which is generally the British, and—"hang the price."

Now look at the exports of British woollens to Canada, in conjunction with the rates of preference :

*Preference * equal to per cent. on Cost*

1890	1895	1897	1899	1903	1905	1913
nil	nil	4.38	8.75	11.67	5.00	5.00

* Preference began April 23, 1897, at one-eighth of the duty of 35 per cent.; raised July 1, 1898, to one-quarter; raised again July 1, 1900, to one-third. From June 7, 1904, the tariff on British woollens was raised to 30 per cent., reducing the preference to 5 per cent. For 1897 the exports of eight to nine months only had preference.

Exports: British Woollens to Canada

1890	1895	1897	1899	1905	1913
£	£	£	£	£	£
1,211,138	1,128,442	1,100,477	1,395,641	2,589,132	4,494,006

In woollens the recovery was slow, but after a time it developed into a boom. This boom, however, did not begin to develop until after the amount of preference had been reduced by about 60 per cent. The figures show large preference and small imports, followed by small preference and big imports, which is like reducing preference to a *reductio ad absurdum*. But, in fact, it was the good times that did it. People wanted British woollens—preference or no preference.

It is difficult to understand why so much controversy has arisen with respect to the growth of British imports into Canada during the last twenty years. The following table shows the comparative imports from all countries into Canada, Australia, and New Zealand in the three last census years and also in 1913 on the per head basis:

Imports per Head (British and Foreign)

		Canada		Australia		New Zealand
		£		£		£
1891	. .	5	.	12	.	10
1901	. .	7	.	11	.	16
1911	. .	16	.	15	.	19
1913	. .	17	.	16	.	21

The exports, on the same basis, were as follows:

*Exports per Head **

		Canada		Australia		New Zealand
		£		£		£
1891	. .	4	.	11	.	15
1901	. .	7	.	13	.	17
1911	. .	9	.	18	.	19
1913	. .	12	.	16	.	21

* Both the imports and exports include gold and silver. The Canadian years 1891 and 1901 ended June 30, and 1911 and 1913 March 31. The imports of 1911 and 1913, especially in regard to Canada, were increased by investments of capital.

It will be seen that Canada began the 'nineties with a relatively very small export and import trade. With a growth, by 1913, of 200 per cent. in her exports it is not surprising that a big growth marked her imports. With such expansion in the total imports it is really not needful to rely on preference for explanation of the imports of British goods.

Does the preference, then, count for nothing? Certainly not. It counts to the full extent of its amount, but it is only one of many factors. Speaking generally, the factor of relatively easy access, which the American exporter holds, far outweighs the factor of the preference in favour of the British exporter.

This factor of easy access has grown in importance greatly of late years. To understand this rightly it is only needful to watch the growth of population. The Canadian census returns of 1901 and 1911 show the rush of population during the ten years to the central Far Western provinces, thus :

*Actual Increase **

	Number	Per cent.
Saskatchewan .	401,153	439.48
Alberta .	301,641	413.08
Manitoba .	200,403	78.52

Here we have well on to a million people who, in the ten years, have settled down and made their homes far away from the Atlantic Ocean; the farther they get away from the Atlantic the greater the cost of getting British goods to them, and the greater this cost becomes the larger is the proportion of the trade that naturally goes to the United States. The wave of American population moves on and on, settlement grows to town and town to city, ever filling up more and more the country along the border; enlarging and increasing the number and bringing nearer and nearer some at least of the markets of the one hundred million nation

* These figures cover about one-half of the total increase of Canadian population.

lying to the south and all along that three thousand miles of border. Sir Wilfrid Laurier might well speak of the difficulty of forcing the trade from east to west that naturally flowed north and south.*

The whole range of controversy offers few instances of argument so weak as that put forward in support of the contention that the preference given by Canada in 1897 had wrought quite a revolution in the position of British trade with Canada. The fall that marked the early 'nineties in Canada and the recovery that marked the later 'nineties were not merely local, but world-wide movements; whilst the expansion that marked the years 1910-13 is clearly traceable to the splendid extension of Canadian production and export, a big population increase, and a rush of British and American capital.

ARE THE PEOPLE OF THE DOMINIONS EAGER FOR PREFERENCE?

For some years now the people of Great Britain have been asked to believe that their fellow-subjects in the Dominions were everywhere eager for the policy of preference, and to some extent, perhaps to a large extent, this view has been accepted in Britain. It is worth while showing how this opinion has been built up, especially as regards Australians, and how far it is from the truth.

The following extract is from the Memorandum of the Tariff Commission No. 46 (May 18, 1911, p. 15):

"Preference has been the declared policy of Canadian statesmen ever since Confederation (1867). In representations to the British Government, in the resolutions of conferences, in the speeches and correspondence of Sir John Macdonald, Sir Charles Tupper, and other statesmen, continuous expression has been given to the desire to remove obstacles in the way of building up the commerce of the

* At Imperial Conference 1907.

Empire, and to adopt a positive policy of mutual preference. This has been the aim of every Canadian Ministry of every political complexion which has held office since Confederation. Moreover, the movement, so far from being confined to Canada and Canadian statesmen, has been urged with equal if not greater insistence by the leading statesmen of the other Dominions, notably Sir Henry Parkes, Mr. Seddon, Mr. J. Hofmeyr, Mr. Cecil Rhodes, Sir Samuel Griffith, and Mr. Deakin."

That in Canada a desire should exist "to remove obstacles in the way of building up Empire commerce" was natural, because it was Canada that blazed the protectionist track, put "obstacles" in the path of British trade, and all the time there was not one protectionist statesman in Canada who did not know that the attack on British and other trade did not accord with the instincts of the people, hence they covered the protectionist pill with the coating of preference. It was the same in Australia: for it was only when protective duties became heavy, began really to bite, that the preferential coating for protection was adopted.

With regard to Sir Henry Parkes. The present writer knew him very well, and until he read the Memorandum quoted had never heard his name connected with preference. A further search amongst the Memoranda of the Tariff Commission showed that (in No. 41, 1910) it was said that in "June 1891 Mr. Cecil Rhodes in South Africa and Sir Henry Parkes in Australia were contemplating a combined effort in concert with Canadian Ministers to bring about a system of this character." Going further back (No. 35, 1908, p. 4) the following is found: "At that time, June 1891, Cecil Rhodes, writing to Macdonald, . . . was suggesting, as he did also to Sir Henry Parkes in Australia, a united effort to bring about preferential trade within the Empire." Reference to the "Life of Rhodes" * shows that he, Rhodes, did write to both Macdonald and Parkes on

* By Sir Lewis Michel, vol. ii, p. 29. Dr. Parkin, in his "Life of Sir John Macdonald" (p. 343), also speaks of Rhodes "suggesting" preference to Sir Henry Parkes.

May 8, 1891, on the " questions of tariff reform and colonial preference."

Further inquiries * have failed to elicit any signs of Sir Henry Parkes having given any thought, much less support, to preference. At present it appears that he is credited with being a preferential stalwart because Rhodes once wrote a letter to him.

Sir Samuel Griffith, the eminent Australian, has been the Chief Justice of the High Court of Australia since 1903, and was the Chief Justice of Queensland for the ten preceding years, so that he has been out of politics since 1893. He was the Premier of Queensland from 1883 to 1888, and from 1890 to 1893, but he certainly made no general public advocacy of preferential views.

At the Colonial Conference of 1887, at which he was present, the subject of preference came up, without prior arrangement, and Sir Samuel spoke strongly in support of the policy. But this one utterance, made nearly thirty years ago, and probably not remembered to-day by a score of people in Australia, does not justify the claiming of Sir Samuel Griffith as an *insistent* supporter of preference.

Mr. Seddon was Premier of New Zealand from 1893 to 1906. In 1895 he tried to carry through reciprocal preference between New Zealand and Canada, and between New Zealand and South Australia, but both efforts failed, showing that the subject was dead, and not the least like the live one it was represented to be. The failure in the case of the proposal, New Zealand and Canada, was specially noteworthy, and throws much light on the character of the claims made by the Tariff Commission as to Canadian anxiety for preference. Mr. Seddon made no further effort

* "The Life of Sir Henry Parkes," by Charles Lyne, speaks of Sir Henry's free-trade personality, but the matter of preference is not mentioned. Mr. Varney Parkes, Sir Henry's son, says his father did not keep copies of the letters he wrote, and he, Mr. Varney, did not know of any correspondence between Mr. Rhodes and his father. The Hon. Alfred Conroy, who knew Sir Henry intimately, in reply to an inquiry on the subject, writes: "Parkes never advocated preference at all, or Protection after—I think—1866. Till then he had, to use his own words, 'been bitten by the creature Protection.'"

on behalf of preference until 1903, when he introduced and carried a preference to certain Empire products. An attempt was made in 1906 to arrange a reciprocal treaty between New Zealand and Australia, but Mr. Seddon died before it was finally dealt with, and in the end the New Zealand Parliament rejected the proposal: further evidence of the absence, not the presence, of anxiety for preference. Still, as far as Mr. Seddon was personally concerned he can rightly be claimed as a supporter of preference.

Here is another quotation from the Tariff Commission (Memorandum 41, May 7, 1910): "The Ministers from Victoria, New South Wales, and Cape Colony supported the proposal." The proposal in question was the one favouring preference made by Sir Samuel Griffith at the Conference of 1887, where the Ministers referred to were present. Reference to the Report of the Conference shows that Sir Robert Wisdom* (May 3) said:

"The delegates of New South Wales consider the question is outside the limits of the discussions as laid down in Mr. Stanhope's dispatch, and that as it seems to have an intimate connexion with the wider question of political federation they are precluded by their instructions from discussing it."

It will be seen, therefore, that the Ministers from New South Wales did not support the proposal as stated. It is significant that Sir Henry Parkes was the Premier of New South Wales at the time of the 1887 Conference, because he would, doubtless, be responsible for the instructions to the delegates which precluded them from even debating a proposal of preference.

A quite ridiculous feature marked the establishment of British preference in Australia in 1907. The Minister had been so busy fixing the new duties—which were heavily increased—that he forgot all about the preferences to which the Ministry were pledged. Copies of the new tariff had been sent to all the custom-houses in the Commonwealth,

* Sir Robert Wisdom, Attorney-General of New South Wales.

and just at the very eleventh hour the omission was remembered. The result was that urgent wires were sent to all the ports giving a list of items on which specified extra rates were to be collected when the goods came from outside the United Kingdom, and that was the way in which British preference in Australia came into existence. Nothing was taken off the new big duties, but the big duties were made bigger as against the foreigner—in which category, for this purpose, the people of India and the other Dominions were included.* This incident indicates how careless the people of the Dominions are themselves as regards preference.

It is, of course, only where protection reigns that preference can find scope for its action: for preference, broadly speaking, means mitigation of protection, and really the creation of a secondary form of protection. Therefore in Australia, so far as the free-trade State of New South Wales was concerned, there never was, prior to federation in 1901, any call for, or scarcely any debate on, preference. It is, therefore, not at all singular that from a New South Wales statesman should have come a most remarkable and weighty utterance on the subject of the tariff policy of the Dominions. It was in 1885, when the whole of the Empire was in a state of tension as to the fate of the brave Gordon at Khartoum, that the Rt. Hon. William Bede Dalley, the Acting Premier of New South Wales, with the approval of his Ministry, offered the British Government a contingent to assist in the work of rescue. The offer was accepted, and on March 3, 1885, the first contingent that ever sailed from any colony in the Empire to assist the Motherland left Sydney. "The Sudan Contingent gave rise to a new estimate of the value of the Colonial Empire, and stimulated greatly the discussion of the whole question of Imperial federation." †

Mr. Dalley was made a Member of the Privy Council in recognition of his loyal services; the first Australian to be so honoured. He passed away in 1888.

* In the Appendices will be found a leader on this subject from the *Sydney Daily Telegraph*.

† Coghlan, "The Seven Colonies" (1901-02), pp. 30-31.

Under date of August 9, 1887, Mr. Dalley wrote to the present writer, replying to an invitation to take part in a free-trade demonstration and take up the subject of the connexion between the Empire and its commerce. In the course of the letter * Mr. Dalley said :

“ You have suggested in your note . . . the precise grounds which I should have thought would have commended the cause to all lovers of the Empire ; to all who are desirous of discussing a great subject, not as one to be treated in warehouses and exchanges, but in the Parliamentary Chambers, which cannot fail to perceive how intimately are blended the preservation of the freedom of our commerce and the perpetuation of our Empire. In the absence of this great thought and in the forgetfulness of the duties which it involves, there is much to be said on the side of those to whom you are opposed. . . . But nothing can be said to qualify the statement that a fettered trade is a defective loyalty to the Empire which has based its policy on absolute freedom, and which is rebuked and, to some extent, enfeebled before the world when that policy is practically protested against by any portion of the Empire.”

This utterance, which is commented on elsewhere, helps to show how the British people have been misled as to the existence universally throughout the Dominions of a desire for preference. The utterance of the Dominion statesman who was the first to offer armed help to the Empire cannot be overlooked to-day.

THE REFLEX ACTION OF PREFERENCE

Faulty legislation is apt to achieve results the very reverse of that intended. No one thinks of preference given by any one of the Dominions, in favour of British goods, as being equivalent to a bounty given by the Dominions to foreign countries to send their goods into the United Kingdom. Yet clearly it is so in many instances.

* Printed in full, Appendix VIII, p. 236.

Foreign countries are large buyers of, say, Australian products, like wool, which is produced in Australia beyond the consuming power of the United Kingdom. If such goods to the extent of, say, 10 millions are sold to foreign countries, how is Australia to be paid? Being herself a large producer of both of the precious metals she will not want either gold or silver. Obviously, then, she must take goods. If the policy of preference to British goods be carried to the point of prohibition to foreign, only British can be admitted.

The question then arises, how is Britain to be paid for the goods which she sends to Australia in payment of the value of the goods which Australia has sold to foreign countries? Now and then Britain might be glad to be paid in gold, but that would very seldom be the case, and if foreign countries were tied down to pay in gold, they might be compelled to decline to buy the Australian products, for they would not always, perhaps not often, be able to spare gold.

It is clear that, as a general rule, the foreign countries would pay for the goods with other goods. They need not be sent direct to Britain, but Britain would have the credits which they represented, and sooner or later the credits would have to be made good. For instance, wool to France might be paid for by silk sent by France to Brazil, and then by coffee sent by Brazil to Britain; or it might be Australian wool to the United States, American oil to Italy, and Italian silk to Britain. In the end Britain gets ten millions of pounds' worth of goods in exchange for the goods she has sent to Australia to pay for the wool which Australia has sold to foreign countries. Some of the goods, possibly most of them, might compete with British manufactures, and so it comes about that, by the reflex action of preference, certain foreign goods are sent to Britain instead of other foreign goods to Australia. In such complex business much expense and loss of interest must result, which will probably damage and lessen the trade all round. But clearly it makes little difference to foreign countries where their goods are landed so long as they are exported.

THE OLD PREFERENCES

That preference was "the historic policy" of England cannot be denied, and that slavery was the historic policy of England cannot be denied; but in neither case is there necessarily any inheritance of virtue, as is assumed in regard to preference by its advocates.

A careful study of the subject will show that in the main, if not wholly, the preferences of the past were nothing but protection, pure and simple, for the enrichment of capitalists and traders in England, and that gain to colonists was, more or less, merely incidental—crumbs from the rich man's table. It is worth while looking at a few examples.

(1) "In the year 1670 Charles II granted a charter to Prince Rupert and seventeen other noblemen and gentlemen, incorporating them as the Governor and Company of Adventurers of England trading into Hudson's Bay." *

So began the famous Hudson's Bay Company, whose charter secured them monopolistic rights over huge territories in Canada, whilst big preferences in England secured them a profitable market for their furs and other products.

(2) "The seventeenth century saw the beginning of settlement in Newfoundland; but the English at home, who were interested in the Newfoundland fisheries, the Devon and Dorset merchants, most strongly opposed the development of colonization in the island, because they wanted to keep it as a preserve for the yearly visits of their fishing fleets." †

This is a glaring case. The preference on fish-oil helped to make these people wealthy, and encouraged them in their efforts to prevent colonization.

(3) "Few persons . . . are alive who can remember the

* "Encyclopædia Britannica." ("Hudson's Bay"), p. 853.

† Sir Charles Lucas, "The British Empire" (1915), p. 46.

millionaire sugar-planters of Early Victorian days. Yet at that period of our history the millionaire sugar-planter held a recognized position in the social life of London." *

The sugar preferences, of course, led up to this sort of thing. The workers were negroes, who, up to 1834, were slaves. In truth, it may be said that sugar, slavery, and preference ran together in those old times.

The sugar capitalists did not always have it their own way; for instance, it would have paid them to refine sugar in the West Indies, but the British Government would not allow this to be done: the work of refining was compulsorily reserved for the British refineries—supporting the contention that the old preferences were primarily in the interest of the capitalists and traders of England. Of the 20 million pounds sterling which England paid as ransom money to the slave-owners, the bulk was absorbed by those in the sugar-plantations. Meanwhile the consumers found sugar so increasingly dear under the British fiscal system that, between 1801 and 1840, the consumption fell more than 40 per cent.†

(4) "The East India Company. Queen Elizabeth incorporated the Company by Royal Charter, December 31, 1600, under the title of the Governor and Company of Merchants of London trading into the East Indies."

Sole trade rights were granted to this company in various directions, and it was supported by many preferential duties on tropical and other products. When the company's charter was granted, in the year 1600, giving it a monopoly of trade to the "eastward of the Cape of Good Hope," the discovery of Australia and its settlement in 1788 were, of course, not foreseen. But when these events came about the company claimed rights over Australian trade. Their claim was supported by a Committee of the House of Lords, which enabled them to secure the confiscation of a cargo of

* *Empire Review*, July 1915.

† "Preferential Duties and Colonial Trade," *Edinburgh Review*, April 1904.

skins and oil, worth £7000, which an Australian had sent to London. It was not till the year 1813 that the English Parliament passed an Act empowering Australia to trade direct. It is easy to see how the money interests of the rich English company outweighed for years the rights of a community then poor and struggling.

(5) "Virginia. In 1606 an expedition was sent out by the London Company, which was chartered with rights of trade and settlement. . . . The purpose of the Company was to build up a profitable commercial and agricultural community. . . . 1200 new colonists arrived in 1619. At the same time negro slaves and English felons were imported as labourers. . . . Tobacco-growing was the one vocation of Virginia, and many of the planters were able to spend their winters in London or Glasgow, and to send their sons and daughters to the finishing schools of the Mother Country. Negro slavery grew so rapidly during the first half of the eighteenth century that the blacks outnumbered the whites in 1740. The master of slaves set the fashion." *

Protection, under the name of preference, of course, backed up this enterprise. In 1660 the duty on tobacco was 6d. per lb. when from foreign countries, and 1d. when from British countries. In 1723 the rates were, on the foreign from 1s. 5d. to 5s. 10d., and on the British 6d.† With such substantial preference and with plenty of slave labour no wonder the tobacco people got rich and were able to "set the fashion."

(6) "A petition reached the British Council of Trade from the lessees of the coal mines at Sydney, Cape Breton. It stated that in 1826 the King granted to the Duke of York all the unreserved mines and mineral rights in Nova Scotia (Cape Breton was an appanage of Nova Scotia at this time) and that the Duke leased them to the petitioners for sixty years. They had works at Sydney ; at a place near Pictou ;

* "Encyclopædia Britannica": "Virginia."

† These duties are taken from "Customs Duties of the United Kingdom," published in 1898 by the British Customs authorities.

and in Lingau Bay, and they asked that 'free ports' might be established at those three places." *

This grant certainly gained in value from the preferences given by England to timber, fish-oil, etc. The grant itself and everything connected with it indicated how thoroughly the welfare of the colonies was subordinate to the gain of the English themselves—protection incarnate.

These various illustrations of the basis on which some of the old preferences rested should be enough to satisfy the public to-day that they were part and parcel of the system which aimed at the protection and enrichment of the moneyed classes of England.

Further insight into the character of the old preferences may be found by consideration of British shipping policy. The colonies were not allowed to use any shipping other than British, and it was admitted by Mr. Chamberlain that one of the reasons for the abolition of the British navigation laws was the representations made by colonists themselves of the hardships these laws inflicted upon them. Appendix VII contains a clear statement as to the effect of these laws.

Carnegie,† after naming some of the disabilities imposed by Britain on the American colonies, adds :

"But do not let us reflect on our Motherland for this. Even in pursuing this policy she was not behind her day. What were colonies for unless to be of direct advantage to the country which created and fostered them? Why should Britain undertake new outlets for her people and her commerce if her children were to prove ungrateful and defeat the only end the parent-land had in view in nursing them into life? Such was the accepted view of the time in regard to colonial possessions."

In the Canadian House of Assembly in 1852 Mr. Clark Gamble said that the object of British policy in Canada

* Atton and Holland, "The King's Customs" (1910), vol. ii, p. 147.

† "Triumphant Democracy" (1886), p. 110.

down to 1846 was "the promotion of British interests, British manufactures, British commerce, and British shipping, not of Canadian interests, Canadian manufactures, Canadian commerce, and Canadian shipping." *

The spirit at the back of the old preferences, and indeed of all other fiscal legislation affecting the colonies in the so-called historic days comes out very plainly in the Act passed in 1766 by the British Parliament when some of the American colonies had ventured themselves to impose certain duties on their own imports. The Act is as follows :

"That the said colonies and plantations in America have been, are, and of right ought to be subordinate unto and dependent upon the Imperial Crown and Parliament of Great Britain, and that the King's Majesty by and with the advice and consent of the Lords Spiritual and Temporal and Commons of Great Britain in Parliament assembled had, hath, and of right ought to have, full power and authority to make Laws and Statutes of sufficient Force and Validity to bind the Colonists and People of America subjects of the Crown of Great Britain in all cases whatsoever.

"And be it further declared and enacted by the authority aforesaid : That all Resolutions, Votes, Orders, and Proceedings, in any of the said Colonies or Plantations, whereby the Power and Authority of the Parliament of Great Britain to make Laws and Statutes as aforesaid is denied or drawn into question, are, and are hereby declared to be, utterly null and void to all Intents and Purposes whatsoever." †

The tone and wording of this Act are very noteworthy ; for all authorities are agreed that except in regard to tariff policy the people of the American colonies enjoyed as much liberty under the British flag as they afterwards enjoyed under the American flag ; but the policy that deals with our bread and butter is vital.

We get an insight into what might be expected to result

* Porritt, "Protection in Canada" (1908), p. 207.

† Atton and Holland, "The King's Customs," vol. i, p. 282.

from the old preferences to the colonies by the position in regard to Ireland in those days :

“It must be admitted that the revenue regulations applicable to Irish commerce favoured Great Britain and harassed Ireland. The restriction most baneful was that upon wool and woollen products, which might only be exported to British ports. Thus the Irish woollen manufacture was slowly strangled. Irish agriculture also suffered, both by this and restrictions upon the exportation of Irish cattle to Great Britain. The products of the Plantations and the East Indies might only reach the Western island through the ports of her more powerful rival. An utter and appalling selfishness was manifest in all English commercial dealings with Ireland. On certain occasions relaxations were made, noticeably towards the end of the American War, but they were relaxations dictated by selfishness.” *

The old-time preferential system was imposed on the intercolonial trade, and the results were not good by any means. A Canadian writer † thus refers to the position between Canada and the British West Indies :

“Seventy years ago, when the Empire was supposed to be welded into ‘one harmonious whole’ by the preferential system then in vogue, American fish and lumber were excluded from the British West Indies in order to give Canadians a monopoly of the trade. The West Indians declared that we fleeced them ; we retorted that we were fleeced through having to buy their sugar at a fancy price when Brazil and Cuba were offering a cheaper article ; and there was nothing but bad blood between us and them. At last they took the matter into their own hands, and in defiance of Downing Street opened their markets to American competition.”

* Atton and Holland, “The King’s Customs” (1908), vol. i, p. 436. The quotation is taken from the portion devoted to the years 1787 to 1800.

† Mr. Farren, *Contemporary Review*, December 1903.

Probably it was because of this that the British Officer in charge of the Customs in Jamaica in 1826, in his Report to the British Board of Customs, said :

“ We earnestly entreat your Honours will prevent as far as possible the interference of the Colonial Assembly with your officers in this island, *as their policy in commercial matters is opposite to that of Great Britain*, and thus the carrying into full effect British enactments is not a popular duty.” *

In view of these and other striking incidents it is idle for any one to either claim or assume that the old preferences promoted the best interests of the colonies or of the Empire.

Of course the old preferences could not hurt some colonists without benefiting others, and an outcry from the latter was certain when the whole system was swept away, and, again, of course, and as is always the case, the beneficiaries of the system represented themselves and their interests as covering everybody and everything that counted. Their anger did doubtless influence others, for when people have been brought up in a close unhealthy atmosphere they are apt to think unkindly of fresh air. And when people have been brought up under and even been kept poorer than they should have been by restrictive legislation they are apt, at first at any rate, to think ill of the legislation that sets them free.

It is well to know what Professor Davidson,† himself a Canadian, has said about the repeal of the old preferences.

“ The repeal was probably what the colonies needed most. It threw them on their own resources, and made them realize the duties as well as the privileges of responsible government. The ruin that was imminent did not come, because they set to work to avert it ; and the threat of ruin was ultimately the industrial salvation of the colonies.”

* Atton and Holland, “ The King’s Customs,” vol. ii, p. 144.

† Professor Davidson, “ Commercial Federation and Trade Policy.” The quotation is taken from Mr. St. Loe Strachey’s article in “ The Empire and the Century.”

Professor Davidson was absolutely justified in saying, as he did, that "the whole history of the preferential duties is one long warning against an attempt to give an artificial direction to industry." This is so clearly true that it is surprising that any one should be so rash as to seek to justify new preferences by reference to the old ones: this can be said even without any reference to the moral and political evils that accompanied the system.

It may be pointed out as an unanswerable reply to the argument that the old preferences were the basis of prosperity in the colonies, that it was under the preferences that the American colonies revolted. It may also be pointed out that the policy that stopped the preferences was an all-round one. The colonies lost some advantage in British markets; but they gained in freedom in world-markets.*

THE CONTROVERSIAL HANDICAP OF THE AUSTRALIAN AND THE NEW-ZEALANDER

An Australian or New-Zealander who seeks to take part in Empire controversy in the British Press is gravely handicapped by the length of time it takes to get correspondence through. The handicap of the South African is bad enough, but that of the Australian and New-Zealander is infinitely worse. The present writer has felt the handicap severely. It compels him to review this matter of preference at some length, and he asks British readers to kindly remember how this matter of time has largely closed his mouth in the past, and he hopes that they will recognize the fairness of his request for consideration now. He submitted the following Memorandum, on the subject of the time occupied in transit, to the Dominions Royal Commission, at their sitting in

* It has been impossible within the limits of available space and time to deal with all the phases of the old preferences. Those who wish to follow up the subject could not do better than study the following two able and scholarly papers: (1) "Preferential Duties and Colonial Trade," in the *Edinburgh Review*, April 1904; and (2) "Free Trade and the Empire," by Mr. St.-Loe Strachey, in "The Empire and the Century" (1905). They deal with aspects of the subject not touched upon here.

Sydney on April 18, 1913. It is of interest now for several reasons, including its reference to the consequential difficulty of assembling in London representative Empire Councils or Committees.

MEMORANDUM

The enormous distance that separates both Australia and New Zealand from the United Kingdom is a serious disadvantage in many respects to these parts of the Empire. It impedes commerce and impedes joint political action. An illustration of the latter trouble may be seen in Mr. Harcourt's dispatch of December 10 last, with regard to the Representation of the Self-governing Dominions on the Committee of Imperial Defence. Mr. Harcourt stated that the Prime Minister of Canada "saw no difficulty in one of his Ministers, either with or without portfolio, spending some months of every year in London." But, unfortunately, what is not difficult for Canada is difficult for both Australia and New Zealand. Whilst the Canadian Minister could get to London in a week, the Australian and New Zealand Minister could not do it under a month, a length of time that would go far to negative the whole scheme.

This distance and the consequent time taken to bridge it over have a more or less fatal effect on Australian efforts to share in Empire controversies. I have myself, by personal experience, found out how handicapped an Australian is who attempts controversy in the British Press. Thus, the *British Empire Review*, in its issue of July 1911, reported a speech by Colonel Denison, of Toronto, Canada. By the time the Review reached Australia a good month had gone, but after reading the speech I thought to criticize it, and sent my criticism by the first out-going mail, which meant another trip of over a month. The Review was good enough to insert my effusion in the next issue, which was October, or three months after the speech appeared. Colonel Denison thought well to reply to my criticism, and he, being in Canada, was able to get his reply into the publishers' hands in time for the next issue, viz. November. I tried a second shot; by the time this appeared February 1912 had arrived—again three months. The advantage of opportunity was overwhelmingly with the Canadian. This is only one of several press experiences that I have had, and I have come to the conclusion that it is only on very rare occasions that a man in Australia can expect to take part in any controversy in the British Press. British editors are friendly enough, but they cannot use contributions on subjects that have become stale, and

in three months a controversy can become stale enough for anything.

According to newspaper reports, soon after his arrival in Australia, a member of this Commission, Sir Rider Haggard, noting the development he saw all round him, expressed his surprise that, as compared with Canada, the Commonwealth occupied so relatively small a space in the British Press. But this fact which so struck Sir Rider is the natural result of existing conditions.

It is to be noted as singular that slower steamers run on the longer voyage to Australia than on the shorter voyage to Canada, and that consequently the relative distance from Australia, as compared with that from Canada, is greater when measured by hours even than when measured by miles.

Weighing these various considerations, it seems desirable, eminently and urgently so, in the interests of the whole Empire, and especially so in regard to Australia and New Zealand themselves, that steps should be taken to reduce the time distance between these countries and Europe.

SOUTH AFRICA—AGAIN

Just before completing the manuscript of this book (end of November) the writer found that he had in his possession a very lucid statement with regard to the way in which preference was introduced into South Africa. He has already said that preference was "imposed" on South Africa, the word was a strong one to use, but a careful study of even the partial evidence available in Australia seemed to require it.

The statement in question, which amply confirms the conclusions arrived at, is as follows * :

"It will be remembered that Mr. Chamberlain came to South Africa at the end of 1902, and he remained here up to the end of February 1903. Almost immediately after his departure two Conferences, one dealing mainly with

* "South Africa : Preference and Protection," by Samuel Evans, Chairman of the Crown Mines, Ltd., Johannesburg. Published in "The Burden of Protection" (P. S. King and Son, 1912), pp. 95-97.

customs and the other with railways, were held at Bloemfontein. Lord Milner, in his opening speech as President of the Customs Conference, indicated that Mr. Chamberlain had been consulted as to the purpose and scope of the Conference. Of the resolutions adopted by the Customs Conference those to the following effect were the most important :

“ That it be an instruction to the Committee appointed to draw up a tariff ‘ that a due measure of protection be afforded to the products and industries of South Africa.’

“ That provision be made in the tariff ‘ for preferential duties on the products and manufactures of the United Kingdom, and also of any British Colony or Possession which may offer reciprocal privileges.’

“ That preference take ‘ the form of a rebate of 25 per cent. of the *ad valorem* duty rate, and that in reviewing the free list and the special rated list special attention be given to the question of transferring certain articles to the *ad valorem* rates with a view to giving the benefit to British trade.’

“ That this Conference recognizes that in the present circumstances it is not practicable to adopt a general system of free trade as between the Mother Country and the Oversea British Dominions, but recommends that if in the course of time an export trade from South Africa should be developed, the Governments of the various Colonies of South Africa should respectfully urge on His Majesty’s Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the colonies either by exemption from or reduction of duties now or hereafter imposed.”

The proceedings of the two Conferences were not open to the Press, but from the published minutes of the Customs Conference (Cd. 1640) and from the debates in the several Parliaments and other sources a great deal of what transpired is public property. Let us piece together some of the known facts.

(1) The following States were represented at the Customs Conference, each by five delegates :

	White Population (1904 Census)	Per cent.
Cape Colony . . .	580,000 .	51.2
Natal . . .	97,000 .	8.6
Orange Free State .	143,000 .	12.7
Transvaal . . .	300,000 .	26.5
Southern Rhodesia .	12,000 .	1.0
	<hr/>	<hr/>
	1,132,000 .	100.0

(2) The voting was by States, each State having one vote (a condition which Mr. Merriman at a later date condemned as being most unfair to the Cape).

(3) At the time only the Cape and Natal possessed responsible Government, and in Natal the constituencies were so grouped as to give undue representation to the country party, the protectionist party.

(4) The Cape delegates, representing more than half of the white population, went to Bloemfontein publicly pledged in their Parliament not to agree to any proposals for a preferential tariff.

(5) When the Customs Convention was under discussion in the Cape Parliament (June 1903) it was stated by the delegates that they were forced to accept the preference proposal, otherwise the Cape would have been "isolated and shut out of her main market, the Transvaal."

(6) In spite of the great risk involved preference was only carried in the Cape House of Assembly by the casting-vote of the Speaker.

In the course of the debate in the Cape Parliament it was stated that in forcing preference in South Africa without the consent of the majority of the white population, Lord Milner was carrying out the policy agreed upon with Mr. Chamberlain during his visit. That this was the case seems more than probable. At the time free trade was the established policy of the British Government, and it is

inconceivable that, without a definite understanding with the Colonial Secretary, Mr. Chamberlain, Lord Milner could have permitted :

(a) The Transvaal, the Orange Free State, Rhodesia—whose delegates were practically his nominees—and the Native Territories to be committed to a policy of protection and preference, and

(b) The whole of British South Africa to be forced to accept the principle of preference on British goods in spite of the opposition of the Cape delegates, representing more than half of the white population.

Mr. Chamberlain has declared that Canada granted preference to British imports “freely and voluntarily of her own accord.” It is clear that this cannot be said of South Africa. On May 15, 1903 (also the date of the Birmingham speech and the birthday of Tariff Reform), Mr. Chamberlain cabled to Lord Milner congratulating him on the successful conduct and the most satisfactory results of the Bloemfontein Customs Union Conference. The cable concluded : “His Majesty’s Government wish to express their great appreciation of the unanimous recommendation of the Conference of preferential treatment to the products and manufactures of the United Kingdom by a rebate of 25 per cent. and of the evidence thus given of the desire to increase the trade relations between the Mother Country and the colonies.”

From the evidence adduced, we are, I consider, justified in concluding :

That in 1903 Mr. Chamberlain, through Lord Milner, forced South Africa to start a fresh experiment in preference against the wish of the Government of Cape Colony, representing over half of the white population, and at a time when the Governments of the rest of South Africa, excepting that of Natal (with less than 9 per cent. of the white population), were directly controlled by the Colonial Office through the High Commissioner.

Adding this to the evidence already given—painful

reading for a man who has ever boasted of Briton's unfaltering fairness—there seems no escape from the conclusion (1) that preference was deliberately *forced* on South Africa by the joint action of Mr. Chamberlain and Lord Milner ; (2) that the States concerned would at the time have rejected the proposals had they been left free to do so ; (3) that the Union Parliament would have rejected them had they been held over ; and (4) that but for the action referred to not one of the four South African preferences then arranged would to-day have been in existence.

APPENDICES

APPENDIX I

*Statement of the Excess of Imports into the United
Kingdom, 1855 to 1913, both inclusive*

(Gold and Silver included in both Imports and Exports)

	Imports Mill. £	Exports Mill. £	Excess of Imports Mill. £
1855 . .	143.5	116.7	26.8
1856 . .	172.5	139.2	33.3
1857 . .	187.8	146.2	41.6
1858 . .	194.1	159.2	34.9
1859 . .	216.3	191.4	24.9
1860 . .	233.5	190.0	43.5
1861 . .	236.2	180.4	55.8
1862 . .	257.4	195.5	61.9
1863 . .	278.9	223.4	55.5
1864 . .	302.7	235.7	67.0
1865 . .	292.6	233.9	58.7
1866 . .	329.6	260.5	69.1
1867 . .	299.0	240.1	58.9
1868 . .	319.6	248.0	71.6
1869 . .	316.0	253.4	62.6
1870 . .	332.8	263.0	69.8
1871 . .	369.1	317.3	51.8
1872 . .	384.3	344.9	39.4
1873 . .	404.9	339.9	65.0
1874 . .	400.5	320.6	79.9
1875 . .	407.2	309.2	98.0
1876 . .	412.3	286.3	126.0
1877 . .	431.6	292.1	139.5
1878 . .	401.2	272.2	129.0

COMMERCE AND THE EMPIRE

Excess of Imports (1855 to 1913)—continued

		Imports Mill. £	Exports Mill. £	Excess of Imports [*] Mill. £
1879	. .	387.2	277.4	109.8
1880	. .	427.5	305.3	122.2
1881	. .	413.9	324.6	89.3
1882	. .	436.6	327.7	108.9
1883	. .	444.1	321.8	122.3
1884	. .	410.4	318.0	92.4
1885	. .	393.0	293.2	99.8
1886	. .	370.3	290.0	80.3
1887	. .	380.0	298.4	81.6
1888	. .	407.6	321.2	86.4
1889	. .	454.7	340.7	114.0
1890	. .	454.7	353.5	101.2
1891	. .	475.0	346.3	128.7
1892	. .	456.1	320.5	135.6
1893	. .	441.4	310.2	131.2
1894	. .	446.9	301.6	145.3
1895	. .	463.4	317.5	145.9
1896	. .	480.6	341.6	139.0
1897	. .	499.8	343.8	156.0
1898	. .	528.9	346.2	182.7
1899	. .	530.3	365.0	165.3
1900	. .	562.6	386.4	176.2
1901	. .	554.2	373.9	180.3
1902	. .	559.8	375.3	184.5
1903	. .	581.6	399.6	182.0
1904	. .	596.6	417.3	179.3
1905	. .	616.6	453.0	163.6
1906	. .	671.2	522.2	149.0
1907	. .	718.9	585.8	133.1
1908	. .	649.5	520.0	129.5
1909	. .	691.2	530.4	160.8
1910	. .	749.7	598.8	150.9
1911	. .	743.2	613.9	129.3
1912	. .	814.1	663.9	150.2
1913	. .	842.7	696.9	145.8
Grand Totals		Imports	Exports	Excess of Imports
1855-1913 Million £		25,977.9	19,661.0	6,316.9

Average Excess of Imports

			Aggregate Mill. £	Yearly average Mill. £
1855-60	6 years	.	205.0	34.2*
1861-70	10 „	.	630.9	63.1
1871-80	10 „	.	960.6	96.1
1881-90	10 „	.	976.2	97.6
1891-00	10 „	.	1505.9	150.5
1901-10	10 „	.	1613.0	161.3
1911-13	3 „	.	425.3	141.8

* "The imports of bullion and specie were not registered at the Custom-house before the month of November 1857" ("Statistical Abstract," 1858). As the *exports* (which were registered) for the three years 1855-57 aggregated 74.3 million pounds, the imports of the precious metals for the years in question would average, almost certainly, between 20 and 30 millions, increasing by the same sum the average excess of imports for 1855-56 and 1857, making, roughly, not less than 45 instead of 34.2 millions average for the six years.

The British import returns do not include diamonds, and the British export returns did not till 1899 include ships sold abroad. Over the whole fifty-nine years the value of the excluded shipping would certainly exceed that of the excluded diamonds, but with the excluded imports of precious metals for 1855-57 no difference would be left affecting the grand total of 6,316.9 million pounds.

There is what on the face of it looks like a strong probability of the actual excess of imports being considerably larger than here shown. This arises in connexion with the re-exports. Thus, the Abstract for 1913 gives total imports £768,734,739 and "net imports (total imports less re-exports) £659,159,702," and the re-exports are put at £109,575,037. It is obvious that the various charges and commissions, etc., incurred between landing and re-export (without reckoning profits) must increase the shipping value, with the result that the final deduction is greater than the original value included in the total imports. The goods valued on re-export at 109 millions may not have been valued at more than 100 millions on importation—so that the net imports would really be 668 instead of 659 millions. If this difference averaged 5 millions yearly through the fifty-nine years, then the excess of imports would be 295 millions greater.

APPENDIX II

Total Gross Amount of Income brought under the Review of the Inland Revenue Department

Year	£
1898-9	762,667,309
1899-0	791,735,413
1900-1	833,335,513
1901-2	866,993,453
1902-3	879,638,546
1903-4	902,758,585
1904-5	912,129,680
1905-6	925,184,556
1906-7	943,702,014
1907-8	980,117,000
1908-9	1,009,935,926
1909-10	1,011,100,345
1910-11	1,045,833,775
1911-12	1,070,142,343
1912-13	1,111,456,413

Increase, fifteen years, 46 per cent.

Population increase same period, 14 per cent.

APPENDIX III

Shipping (Entered and Cleared) Million Tons

		United Kingdom	United States	Germany	France
1880					
National	.	41.3	6.2	5.1	7.5
Foreign	.	17.4	14.3	8.0	17.5
1904					
National	.	69.2	7.6	17.4	10.5
Foreign	.	38.5	40.7	17.6	29.8
1912					
National	.	88.7	9.4	26.0	15.3
Foreign	.	63.8	60.0	25.1	47.4
<i>Increase 1880-1912</i>					
National	.	47.4	3.2	20.9	7.8
Foreign	.	46.4	45.7	17.1	29.9

APPENDIX IV

Indian Commerce

Year	Imports £	Exports £	Total £
1851 .	11,600,000	18,200,000	29,800,000
1860 .	24,200,000	28,000,000	52,200,000
1870 .	32,900,000	52,500,000	85,400,000
1880 .	41,200,000	67,200,000	108,400,000
1900 .	64,185,000	78,026,000	142,211,000
1914 .	156,498,000	170,727,000	327,225,000

The years 1900 and 1914 (if not the others) ended March 31.

Year Ending March 31, 1914 India and the Rest of the Empire

Imports £112,959,935 Exports £67,421,318
Excess of Imports £45,538, 617

India and Foreign Countries

Imports £43,538,469 Exports £103,305,598
Excess of Exports £59,767,129

APPENDIX V

Percentages of the Articles classified as Manufactures in the Aggregate of all Exports

		United Kingdom Per cent.	United States Per cent.	Germany Per cent.	France Per cent.
1906	.	81.2	39.93	67.5	58.5
1907	.	80.1	39.92	67.7	59.7
1908	.	78.6	40.91	65.4	58.6
1909	.	78.5	40.98	64.0	56.0
1910	.	79.7	44.85	64.2	55.2
1911	.	79.8	45.07	65.1	57.8
1912	.	79.0	47.02	64.6	58.4

Figures taken from the "Statistical Abstract for Foreign Countries," No. 39, pp. 101, 104, 109, 111. The classifications of "manufactures" are not identical. Thus, in the United States "refined oil," a large export, is included. The returns of the different countries are, therefore, only roughly comparable, but the British return answers the most nearly to what is generally understood by the term "manufactures."

APPENDIX VI

THE COBDEN CLUB AND SIR WILFRID LAURIER

(*Times*, August 17, 1897)

THE Cobden Club medal for distinguished services to the cause of free trade was presented yesterday by a deputation from the club to Sir Wilfrid at the Hotel Cecil. Presentation was made by Lord Farrer.

Lord Farrer said : We are deputed by the Committee of the Cobden Club to present you with the gold medal of the club in recognition of the services which you and your Government have rendered to the cause of free trade. The steps which you have taken in Canada towards a freer commercial intercourse with the United Kingdom have been warmly appreciated in this country, and the denunciation of the German and Belgian treaties which was required to give effect to your policy has been seconded with quite unusual unanimity by all parties, by Liberals and Conservatives, by free-traders and by protectionists. Let us not misconstrue or exaggerate this unanimity. On one principle indeed we are really unanimous. We are all agreed that freedom is greater than free trade ; and that whatever be the merits of free trade it is for Canada to decide upon her own policy, unfettered and unhampered by any action or any engagements of this Imperial Government. But here our unanimity ends. You, sir, in Canada, now send us, according to official returns, twice as much as we send you, and there are persons amongst us, even amongst so-called free-traders, who look on such a state of things with apprehension. We are not of that number. We trust that under the arrangements you are making we shall send you as much

more than we now send, and that you will repay us in the same proportions as heretofore. But this error is a comparative trifle. There is a party amongst us who would willingly discriminate against German and Belgian goods, and who look upon the denunciation of the German and Belgian treaties as a step towards what they have been pleased to call commercial federation of the Empire—a system under which commercial union between different parts of the Empire will be fostered by laws excluding or discouraging foreign goods. If that was to be the consequence of what you have done I need scarcely say that we of the Cobden Club should not now be here. It is because we believe that your efforts are founded on an opposite principle and will be followed by opposite results that we, followers of Adam Smith, and of Peel, of Bright, and of Cobden, are here to congratulate you and thank you. You do not ask us to abate one jot of our free-trade principles. You ask for no preferential treatment, you make yourselves as large a step in the direction of free trade as your present circumstances will permit, and you desire to treat the rest of the world as you are now treating us. We on our part hail your offer and meet it by removing, not by imposing, a restriction. We desire not less trade with Germany and Belgium, but more trade with you, and, while we shall oppose with all our power any attempt to close our markets against these or any other foreign countries, we shall view with delight any increased freedom of trade, whether it be a trade between the nations who compose the British Empire, or a trade between those nations and foreign countries. It is needless for me to dwell upon the part which you, sir, have had in this great movement; nor is this the time or place to enlarge upon its political and moral bearing. Let me conclude, however, by saying that in our opinion, as in that of the great man whose name we bear, the statesman who helps to remove the artificial barriers that short-sighted legislation has erected between nations is furthering not only the material interests but the highest aspirations of humanity.

APPENDIX VII

Extract from Atton and Holland's work "The King's Customs," vol. i, p. 114

Goods might not be taken from Asia, Africa, or America to England or Ireland except in "English ships" that were "English manned," and direct from the place of growth or manufacture. Sugar, tobacco, ginger, cotton, indigo, and woods used in dyeing, all of which were entitled "enumerated Plantation goods," might not be put on board ship in the Plantations, except for landing at other Plantations, or direct carriage to England. If intended for a foreign port they were to be brought to England, landed, and then reshipped to their destination. Shipmasters proceeding from England or Ireland to the Plantations had to enter into bond before an English or Irish collector of customs to bring their Plantation goods to England direct, and if they entered a Plantation port from foreign to load cargo they had to give similar security there before shipment. European goods for the Plantations were to be first brought to England, landed there, and reshipped, except victual, horses, and *servants*, from Scotland or Ireland. Similar exemption was granted to wine of Madeira and the Azores laden at places of production, and goods laden at ports south and east of the Cape of Good Hope. These excepted goods might go to the Plantations direct, if the regulations as to English shipping and mariners were complied with.

Foreign ships might only bring goods to England direct from the countries in which such ships were built. They were excluded from the Plantation trade. Coastwise traffic in England and Ireland was to be in "English" ships with

"English" mariners. . . . Colonial merchants, especially those located in the American Plantations, were dubious, and later the American colonists came to regard the complicated restrictions as intolerable. Their goods were rendered dear in foreign markets, for some one had to assist in bearing the expense of the extra journey, and of the unnecessary unshipment and relading. Frequently vessels from the Plantations, which might have performed the direct voyage to Europe in safety, were cast away on the storm-swept English coast while attempting to reach Cowes, Bristol, or London, in order to land their cargoes. This, of course, tended to a great extent to prevent the colonists from trading with Europe, and gave England almost a monopoly of Plantation traffic. The Acts bore hard upon Ireland, too, for all Plantation goods carried thither had first to be turned over in England. It remains substantial matter of debate whether the subsequent triumphs of England in naval war, which were hugely assisted by this method of making a large number of her sons familiar with the sea, and the vast increase in her carrying tonnage and oversea trade, were or were not discounted by the gradual impoverishment of Ireland, and that irremediable disaster, the severance of England from the thirteen mighty provinces. There remains one thing to be said in favour of the old legislation. Whilst striving to "corner" trade and shipping, they did not altogether forget their duty towards national manhood.

APPENDIX VIII

*Letter from the Rt. Hon. W. B. Dalley (1831-88), M.L.C.,
Q.C., to Mr. Pulsford*

THE following is the full text of the letter from Mr. Dalley referred to elsewhere. Mr. Pulsford has no copy of his own letter to which this was written in reply. Mr. Dalley was the originator of the first military expedition that ever left a Self-governing Dominion to assist the Motherland—the expedition sent by New South Wales to the Sudan in 1885.

RINGAROOMA, MITTAGONG, N.S.W.,
August 9, 1887.

“DEAR SIR,—Ever since the occasion to which you refer when you did me the honour to call upon me and I was unfortunately confined to my bed, I have been much prostrated, unequal to any exertion, and a week ago I was compelled to come to this place seeking strength and peace. I have been advised to abstain, even should my health be immediately improved, from any disturbing excitement, and should, therefore, not be justified in indulging the hope of joining you in a demonstration which would require, in those taking part in it, a vigour and earnestness in treatment of which I am no longer the possessor.

“You have suggested in your note (so admirably conceived and so felicitously expressed) the precise grounds which I should have thought would have commended the cause to all lovers of the Empire; to all who are desirous of discussing a great subject, not as one to be treated in warehouses and exchanges, but in the Parliamentary Chambers, which cannot fail to perceive how intimately are

blended the preservation of the freedom of our commerce and the perpetuation of our Empire. In the absence of this great thought and in the forgetfulness of the duties which it involves, there is much to be said on the side of those to whom you are opposed, and against whom you are fighting with singular gallantry. But nothing can be said to qualify the statement that a fettered trade is a defective loyalty to the Empire which has based its policy upon absolute freedom, and which is rebuked and, to some extent, enfeebled before the world when that policy is practically protested against by any portion of the Empire.

“ I am, dear Sir,

“ Yours, very faithfully,

“ W. B. DALLEY.”

APPENDIX IX

From the Sydney *Daily Telegraph*, July 19, 1914

THE PREFERENTIAL TRADE ILLUSION

THE idea which seems to possess Mr. Bonar Law, that the people of this country are, in unison with those of the other Dominions, continually calling for tariff preference from Great Britain, is one of the oddest delusions that a responsible party leader could very well express. To be sure, we have given a percentage of preference to Great Britain ; but we have taken care not to do it so that its application to any article would be a detriment to ourselves. Indeed, the manner in which preference was proposed and applied is one of the most comical episodes in Australian parliamentary history. The tariff had been diligently prepared with months of consideration. Preference was completely forgotten. The Minister himself, so full of anxiety to afford a lifting hand to the manufacturers of the United Kingdom, allowed this one feature of his new duties absolutely to escape his memory. Even Mr. Deakin, then an apostle and a brilliant and consistent advocate of preference, did not take the trouble to remind him of the omission. The new tariff was sent to all the customs collectors and sub-collectors without any mention of preference. Suddenly the fact that preference, a cardinal platform feature of the protectionist creed, had not been included, dawned on the Government. Urgent telegrams, which took precedence of all other wires, were dispatched to the uttermost parts of the continent that a small percentage was to be allowed in favour of certain imports from the United Kingdom. And how was it to be given ? By increasing to other nations the duties

on the preference articles. So that it was only incidentally preference. Actually it was a discrimination against some foreign goods which had the effect in operation of granting a percentage concession to several British manufactures. The facts are mentioned to show that the preference to British imports has never been a patriotic aspiration in this country. It has just been a device thought of only at the last moment to advantage the Australian manufacturers at the expense of the foreign nations. When Mr. Bonar Law therefore implies that Australians are so extremely chagrined at the lack of recognition of their noble efforts to maintain the solidarity of the Empire by not reducing their taxes against its manufacturers, he has quite mistaken public sentiment here. The only preference which would be of direct pecuniary benefit to Australia would be preference on foodstuffs. And no Australian asks the poorer classes of the United Kingdom to submit to a tax on their bread and their meat for the sake of encouraging any industry whatever. If Mr. Bonar Law thinks that preference from the United Kingdom is the crying demand of the people of Australia, he should visit these shores and get disillusioned. He would never hear the subject mentioned except by some whizzy-headed orator who was momentarily gravelled for a topic.

APPENDIX X

Canada. Excess of Imports and Exports

Years				Excess	
		Imports Mill. £	Exports Mill. £	Imports Mill. £	Exports Mill. £
1868-70	3	. 48.7	40.6	8.1	
1871-75	5	. 122.7	86.4	36.3	
1876-80	5	. 94.6	82.4	12.2	
1881-85	5	. 121.3	99.8	21.5	
1886-90	5	. 116.2	92.6	23.6	
1891-95	5	. 125.6	115.5	10.1	
1896-00	5	. 149.9	159.0	—	9.1
1901-05	5	. 240.4	216.0	24.4	
1906-10	5	. 334.3	268.2	66.1	
1911-14	4	. 488.1	305.2	182.9	

This table is notable for several things : (1) the remarkable growth in both imports and exports, specially the former ; (2) the heavy volume of imported capital—as shown by the excess of imports—in the last four years ; and (3) the excess of exports in 1896-1900, concurrent with the depression in Canada.

APPENDIX XI

GERMANY AND THE BRITISH EMPIRE

Imports into Germany from the British Empire

Exports from Germany to the British Empire

Year 1912	Imports for Home Consumption Mill. marks	Exports Domestic Production Mill. marks	Excess Imports Exports Millions of marks
United Kingdom .	842.6	1161.1	— 318.5
British East Indies .	597.4	125.6	
British North America .	58.1	54.3	
British West Indies .	15.3	2.6	
Australia and New Zealand . . .	291.4	97.0	
Egypt . . .	111.7	38.0	
British South Africa .	67.2	44.5	
British East Africa .	7.3	3.1	
British West Africa .	118.6	15.2	
Rest of British Empire	1267.0	380.3	
Grand total . . .	2109.6	1541.4	568.2 —

“Statistical Abstract for Foreign Countries,” No. 39, pp. 264-267.

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